

EUROPEAN NEWS

TO LET



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GWENT BETTER CONNECTED.

WEST GERMAN OPPOSITION BACKS DOWN ON NUCLEAR SMUGGLING CLAIM

Metals group takes over control of Nukem

BY DAVID MARSH IN BONN

The West German Opposition Social Democratic Party (SPD) backed away from allegations that Nukem and its subsidiary Transnuclear had been involved in smuggling of fissile material to Pakistan and Libya.

Degeusa, which owns 95 per cent of Nukem, came as the Opposition Social Democratic Party (SPD) backed away from allegations that Nukem and its subsidiary Transnuclear had been involved in smuggling of fissile material to Pakistan and Libya.

public on Thursday, have caused considerable political confusion in Bonn. Yesterday, Mr Volker Hauff, the senior SPD deputy and former Technology Minister, withdrew his earlier statement that he had proof that the Hanau-based Nukem and Transnuclear companies had violated the Non-Proliferation Treaty.

The state prosecutors' office at Hanau, which is investigating the allegations, had earlier asked Mr Hauff to back up his statement. The Bonn Environment Ministry insofar as had come to light over the fissile material smuggling allegations. However, government officials are still investigating an alleged corruption which has led to irregular shipment of more than 2,000 falsely labelled drums of nuclear waste between West Germany and Belgium.

IAEA confirms monitoring allegation by magazine

BY JUDY DEMPSEY IN VIENNA

The international atomic energy agency (IAEA) confirmed yesterday that the "facts were right but the conclusions were wrong" in Der Spiegel, the West German magazine which alleged that the IAEA is unable to fulfill the task of monitoring nuclear energy facilities satisfactorily.

missing from the organisation's monitoring books. "I would not deny the facts," Mr Jennekens, deputy director of the Department for Safeguarding Activities in the IAEA said at a news conference in Vienna.

West Germany, had been involved in delivering plutonium or enriched uranium to Pakistan or Libya. The IAEA received a request from the West German government at the weekend for all relevant information regarding the alleged transport of fissile material which is currently under investigation by the public prosecutor in Hanau.

Safety inspectors to visit Belgium plant

BY WILLIAM DAWKINS IN BRUSSELS

NUCLEAR safety inspectors will today visit a Belgian nuclear waste treatment plant involved in a row over the handling of radioactive waste as part of inquiries into whether to launch European Community controls on the transport of nuclear waste.

Atomic Energy Agency (IAEA) over further allegations that it had had been connected to delivering nuclear materials to Pakistan or Libya. Commission officials yesterday emphasised that their investigation would be no more than a "fact-finding mission".

EC to give go-ahead for car exhaust controls

PLANS to clean up toxic exhaust emissions from small cars are expected to be formally adopted on Wednesday by the European Community's executive commission, EC sources said yesterday.

have to fit this to large models with engines of over two litres. Once adopted by the commission, the standards for small cars will go for approval by ministers of the member states. They will not come into effect at least until 1991, the sources said.

Red Cross food relief continues in Ethiopia

THE INTERNATIONAL Red Cross said yesterday that it had distributed food to 320,000 hungry people in northern Ethiopia since November despite its worries about the safety of relief convoys.

Soviet Union to create job replacement centres

SOVIET authorities have ordered the establishment of job placement centres across the country to help workers expected to be laid off as a result of the Kremlin's economic reforms, the official news agency Tass said yesterday.

SOVIET authorities have ordered the establishment of job placement centres across the country to help workers expected to be laid off as a result of the Kremlin's economic reforms, the official news agency Tass said yesterday.

Controls for medium and large-size engines were agreed by member states last July to reduce pollution, especially the acid rain caused by dissolved gases and said to destroy forests.

But it has still been denied access to some areas in need of food, a spokeswoman for the International Committee of the Red Cross (ICRC) said.

ICRC President Cornelio Sommaruga in November called on the Ethiopian Government and anti-government guerrillas to implement a policy of "open roads for survival" in the north to allow the safe passage of relief trucks.

Unemployment was officially estimated in the Soviet Union in 1980 but under Gorbachev's glasnost (openness) campaign, some Soviet officials have acknowledged that there are people between jobs and that some industries are overstaffed.

The Tass report sought to assure people they would not be out of a job because of the economic reforms. "All the workers can be sure that they are guaranteed the right to work," it said, adding: "At the same time, every worker should work at full strength, and appreciate the social guarantees given by the state."

Claes to spell out ideas on new Belgian coalition

BY WILLIAM DAWKINS IN BRUSSELS

MR WILLY CLAES, the former Belgian Economics Minister charged by King Baudouin to form a government coalition, will today outline to Christian, Democrat and Socialist leaders proposals to end the country's political turmoil.

produced a swing to the right-wing Liberals in Flanders in the north, while leaving the Socialists with a majority in Wallonia in the south.

Italy set to give up EMS flexibility if UK joins

BY JOHN WYLES IN ROME

ITALY WOULD be prepared to give up the lira's larger freedom to fluctuate if the British pound were to become a full member of the European Monetary System, Mr Giuliano Amato, the Italian Treasury Minister, said yesterday.

Whereas all other currencies within the EMS are allowed to fluctuate by 2.5 per cent either side of their central rate against the European Currency Unit, the lira has been allowed a wider 6 per cent margin since the EMS was created in 1979.

Swedish strike prompts warning of lay-offs

BY SARA WEBB IN STOCKHOLM

SWEDEN'S leading export companies warned yesterday that they would have to start closing factories and laying off workers within a week if a strike by white-collar technical and clerical employees was not called off in the next few days.

warning that wage increases must be kept down this year, the spring wage negotiations have started on an acrimonious note.

The Swedish Union of Clerical and Technical Employees in Industry (SIF) called 50,000 members out on strike yesterday after the breakdown in talks between the union and the employers' organisation (VF) at the weekend.

With their dependence on new technology for stock control and planning, the big industrial companies are particularly vulnerable to strike action by computer and administrative staff.

UN official to hold new Afghan talks

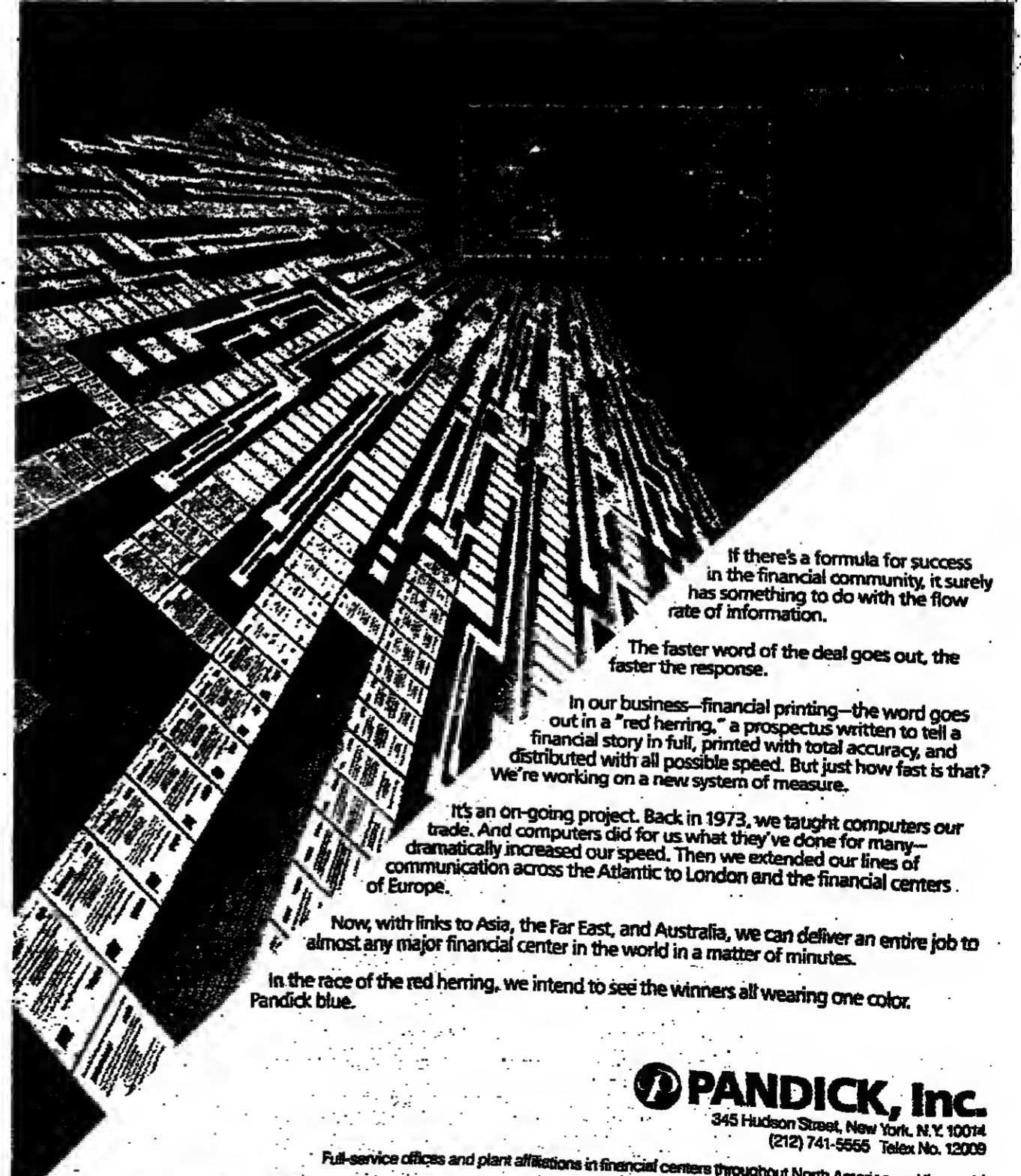
MR DIEGO CORDOVA, the UN mediator for Afghanistan, is to begin a new round of consultations with Kabul and Islamabad this week. The talks fall ahead of the scheduled resumption of UN-sponsored peace negotiations between the two sides in Geneva in mid-February.

Last week, the communist party newspaper Pravda said Soviet troops could start leaving the country on May 1, if Afghanistan and Pakistan signed an agreement by early March.

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Nato chief backs missile upgrading

NATO's commander in Europe, Gen John Galvin, says he favours the Western alliance quadrupling the striking range of its battlefield nuclear missiles under plans to modernise its nuclear stockpile.

He would like to see a modernisation which would provide... a longer-range surface-to-surface missile which would perhaps get out to 450km, Gen Galvin said yesterday on West German radio.

"I hope that kind of modern missile will come along some time in the future," he said.

Gen Galvin said such modernisation would not circumvent the US-Soviet Intermediate-Range Nuclear Forces (INF) treaty which will eliminate ground-launched missiles with ranges between 500 and 5,500km.

Nato has 89 US-made Lance short-range missiles which can travel about 100km and which in a war could be used against massed tank formations.

It would develop and deploy a "follow-on" Lance missile with an extended range.

In 1983, Nato committed itself to a nuclear-modernisation programme in which it would develop and deploy a "follow-on" Lance missile with an extended range.

The issue is a particularly delicate one in West Germany which has a big anti-nuclear lobby and where the Bonn government, unlike its allies, wants early talks to reduce short-range missiles.

As Nato's front-line state, West Germany is the logical country for short-range missiles to be stationed. "I believe that we should continue the modernisation," Gen Galvin said.

"If we confuse the question of modernisation with the circumvention or somehow trying to substitute for the treaty, I think that would be bad."

On future arms control, Gen Galvin said Nato should try to achieve conventional arms reductions in negotiations with the Warsaw Pact. "We need to know what is going on on the conventional side, that's the side where the real danger is right now and we should move to that," Gen Galvin said.

Leslie Colitt and David Marsh on the East Germans who cross the border and never come back

Familiarity with West breeds enthusiasm for escape

EAST GERMAN Protestant churchmen say the opening of the borders with West Germany for travel by ordinary East Germans appears to have led to a sharp rise in the number of citizens who fail to return home.

The number of refugees rose last year to the highest since 1973.

The trend is said to have been an omen of a shake-up in the East German leadership. It had hoped that by granting more visiting permits to citizens they would be satisfied to remain in East Germany.

Official West German figures show that 6,252 East Germans rose to 6,252 from 4,660 in 1986 and 3,494 in 1985. Only a relatively small number - 288 last year - against 210 in 1986 - fled to the West across the Berlin wall to the fortified East-West German border.

The majority made their way to the Federal Republic of West Berlin by staying on after an authorised visit, or by entering via a third country.

The churchmen on the other side of the frontier, however, say that high-ranking party officials recently told them that the East German prisoner remained in West Germany last year after making an estimated 5m visits.

Most alarming, the party figures indicated that the trend of visitors to return rose steeply in the last four months of 1987. They showed that at the beginning of last year less than 0.2 per cent of the East

Germans allowed out to the West remained there. By December, however, the number had swelled to 1.5 per cent.

Bonn says East Berlin allowed 1.5m temporary visits to West Germany by East Germans of under pensionable age last year. This was double the figure of 573,000 in 1986, and nearly 20 times the 66,000 trips by younger East Germans in 1985.

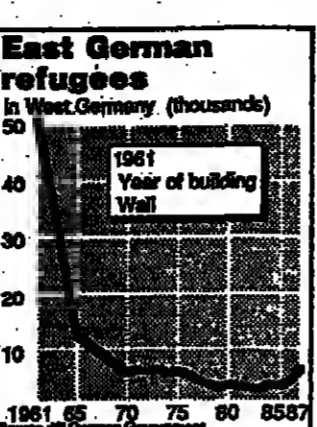
But the total number of people leaving East for West Germany by all methods fell last year - to just under 19,000 from slightly more than 26,000 in 1986 owing to a more restrictive East German attitude on granting permission for permanent emigration.

Additionally there was a fall in the number of East Germans given sentences for political or other offences and subsequently "bought free" by West Germany.

Numbers traded under this shadowy "cash for prisoners" arrangement, which totalled around 2,000 in 1986, are believed to have been around 1,000 in 1987. These include some East Germans freed under the East German prisoner amnesty at the end of 1987.

East Germany's authorities were said to be especially disturbed by the large number of doctors who refused to return after visiting the West, the result of their refusal to accept applications from doctors to emigrate legally to the West.

Dissatisfaction among doctors



and other professional people in East Germany is heightened by the enormous gap in salaries between East and West Germany.

The escape figures underline the longer-term risks run by the East Berlin leadership in its policy of allowing far more East Germans to make temporary visits to West Germany (despite dampening the risk that short-term travellers could abscond by preventing families or married couples from visiting together).

Western officials believe the increase in temporary travel may, in the short term, reduce East German complaints about restrictions. But in the longer term, some observers in the Federal Republic say, the new policy of more openness could be counter-productive by

increasing frustrations about life in East Germany.

The churchmen say the party might have divulged the embarrassing figures to justify possible future restrictions on visits to West Germany.

But they note that the leadership might equally want to demonstrate to West Germany the enormous problems it faces in living up to its understanding with Bonn on liberalising travel for East Germans.

East German officials have argued that allowing East Germans to see the West at first hand, including not only its wealth but also its problems of unemployment, is designed to tone down the exaggeratedly positive image many East Germans have about the Federal Republic.

They had apparently believed that growing exposure to negative aspects of Western life such as drugs, crime and superficial values would have a negative effect. But instead, East German travellers returned home with glowing reports about a land of milk and honey.

The stagnation in East German living standards in recent years has undoubtedly played a role in the growing frustration with life in a highly-planned and regimented society.

A West German diplomat in East Berlin noted that in the 1970s it was widely believed in the West that a "national" East German consciousness had taken hold among citizens during the decades of separation

from West Germany.

"We were wrong," he said. Instead, growing contacts with Western visitors to East Germany caused East Germans to become increasingly critical of their own society.

The liberalisation of travel has also caused an increase in applications from returning East Germans who want to leave permanently for West Germany with their families but they have been met with more restrictive treatment.

Some officials believe that, as a result of the new liberalisation of short-term travel, emi-

gration requests may increase rather than fall as East Germany has been hoping.

An East German woman whose 21-year-old son is planning to apply for permission to visit relatives in West Germany said the authorities should "forbid" visits to the West for young people.

"Either they fail to come back or they return so starry-eyed that they are unable to function here anymore," she said. Paradoxically such views are widely held by East Germans who are afraid of losing their children to the West.

CIVIL RIGHTS MARCHERS HELD

THE East German authorities have taken into custody nearly 30 members of independent civil rights and peace groups in East Berlin who took part in an official rally on Sunday commemorating the murder in 1919 of the German Communist leader, Rosa Luxemburg and Karl Liebknecht, writes Leslie Colitt in Berlin.

Fifty civil rights supporters mingled with the crowd and tried to unfurl banners including one quoting Rosa Luxemburg: "Freedom is always only the freedom of the dissent."

Several civil rights activists were prevented from leaving their homes for the rally.

One of those detained was

Mr Stephan Krawczuk, a folk singer forbidden to perform in public because of his political views.

The detentions follow a climb-down last month by the authorities after a raid on a Protestant church rectory. Seven people found printing an unofficial environment bulletin were arrested but later released after unusually strong pressure from the Church. It was seen as a victory for the growing East German human rights movement.

But a church conference last week in East Berlin criticised churchmen and groups supported by the church for using the Western media to "force" state agencies to negotiate with them.

"We will not forget those we are leaving," Mr Begun said. "That's the most important thing - not to forget."

Mr and Mrs Begun, Inna's mother Dvora Lazara and Mr Begun's son Boris, with his wife and their two children, left for Bucharest. They will leave for Israel today from Romania, the only Soviet bloc nation to have diplomatic ties with the Jewish state.

Mr Begun taught Hebrew and Jewish culture in Moscow, and was in the forefront of the effort for Jewish emigration to Israel.

In 1983, he was sentenced to seven years in prison for anti-Soviet agitation and propaganda and served more than three years of his term in Chis-topol prison in the Ural mountains.

Spanish GDP up by 4.5%

SPAIN'S gross domestic product grew by an estimated 4.5 per cent last year compared with 3.5 per cent in 1986, according to the Bank of Spain's latest monthly report. Renter reports from Madrid. The estimate is based on the first three quarters of 1987.

Gross capital formation rose by an estimated 14.3 per cent, the same as in 1986, while domestic demand was up by an estimated 7.2 per cent (6.3 per cent).

All indicators confirm the vigor of national demand, based on high growth of public and private demand and the extraordinary increase in the hospital sector.

Nominal salaries rose by an estimated 7.5 per cent during the year, against 6.3 per cent in 1986.

The number of registered unemployed, which last month rose above 3m for the first time, was not falling because the active population was increasing as fast as job creation.

Investment in capital goods showed "extraordinary dynamism," the report said. Imports of capital goods rose by more than 40 per cent in the first three quarters of 1987.

Do seat belts restrict your thinking?



Somehow you can't quite imagine Albert Einstein mulling over a mind-bogglingly brilliant concept strapped into a plane with a pre-packed lunch on a plastic tray.

Or Wolfgang Amadeus Mozart composing his Horn Concerto in E flat in a car in a contraflow.

Can you picture a tycoon planning his next take-over whilst overtaking in the rain?

Some forms of transport, it seems, are just not conducive to constructive thought.

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First Class passengers sit relaxed watching Britain whizz past at up to 125 miles per hour.

They order food and drink from attentive waiters.

Briefcases snap open. Reports, previously rendered incomprehensible by jangling office phones, suddenly make sense.

Someone scribbles figures on a scrap of paper, devising a budget with tax at 20 pence in the pound. (We should be so lucky.)

Someone else attempts to recall Arnold Palmer's 18 best golf holes in the world.

Crosswords are cracked, often in record time.

A brilliant response to Karpov's latest opening gambit comes like a bolt from the blue.

People catch up on their reading, go for a stroll or formulate strategies. They arrive feeling fresh, relaxed, more alert.

Their minds have been stimulated, sometimes by doing nothing.

Makes you think, doesn't it?



Pontiff works his magic on the press

A FORMAL visit by Pope John Paul II to the Foreign Press Association in Rome on Sunday evening became the occasion for an unprecedented news conference touching on the possibility of a papal visit to the Soviet Union and events in Israeli occupied territories.

Demonstrating that they were no less immune to the Pope's charisma than the millions of the faithful who have turned out to greet him around the world, journalists jostled for position to shake the pontiff's hand when he entered the small, overcrowded and overheated room at the press centre.

Once on the platform he took out three pages of notes and issued first a warning and then a promise. "They have prepared this for me to read first, then we can talk about something else," he said.

His formal remarks showed no small understanding of the lot of some journalists. "You feel the pressures of power - both ideological and economic - which try to influence your work. At times you are asked to write on themes and subjects which are distant from, or even contrary to your principles."

The formal speech duly read, a couple of the scarlet frocked gentlemen in his retinue sprang to their feet, possibly hoping for a quick exit. But the Pope stood his ground at the microphone and, to the surprise of most present, asked questions.

The first, on how he liked travelling with journalists, prompted a reflection on an Aristotelian precept on the need for "admiration and wonder", and a complaint that he had expected tougher questioning. This encouraged a Tunisian journalist to ask what he thought of recent scenes of the disruption of religious activities in Jerusalem.

Attacks on people at prayer in the mosques of Jerusalem were "totally unacceptable," said the Pope. On the broader Palestinian question, he had

already made it clear that the Vatican supported the rights to a homeland of both Jews and Palestinians. He fully understood the sufferings of the Hebrew people. "I discovered in my own homeland, Poland, the genocide of genocide. Numberless people were exterminated only because they were Jewish."

But it was on the subject of a possible visit to the Soviet Union this year, the 1,000th anniversary of the founding of the Russian church, that the

John Wyles in Rome reports on a papal visit to the city's Foreign Press Association which turned into an unusual opportunity for overseas journalists to question John Paul II on a wide range of international topics

Pope reserved his fullest answer. "If he were to go it would have to be a real invitation in response to a real invitation which had not yet arrived."

Such a visit would be important not just for its religious aspect but also for "living together in the world." For the first time, however, he put great stress on the need for him to be able to visit Russian Catholic "wherever they are."

This meant not only Latvia and Lithuania but also the Ukraine where the Church was "clandestine and illegal." Vatican spies at the press afterwards were offering very long odds against Mr Mikhail Gorbachev rolling out the red carpet for such a visit.



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UK NEWS

BT reduces prices for global circuits

BRITISH Telecom has cut its prices by up to 40 per cent for key international services used by many big companies in a move which could prompt a price war with Mercury Communications, its sole network rival, writes David Thomas.

Rover returns to work

Car production at Rover's Cowley and Longbridge plants resumed yesterday following settlement of last Friday's dispute involving 70 lorry drivers delivering car engines to both the Oxford and Birmingham plants.

Postal backlog

Postal workers in Bristol returned to work yesterday to deal with a backlog of letters after a four-day unofficial strike against "inadequate" Christmas bonuses.

Nunast in joint accord

UK and Norwegian seafaring unions have taken steps towards more international co-operation by signing a joint negotiating agreement.

Logging for engineers

The Engineering Council has proposed that engineers have log books to keep up to date with new technology.

Sogat briefs the press

The print union Sogat, which was at the centre of a year-long dispute over the introduction of new technology, has spent £2,000 on a press briefing in an effort to convince the newspaper industry that the union is committed to technological change.

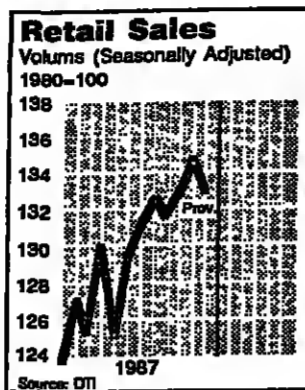
Farm job prospects

The Development Commission said that the problem of losses of farm jobs was a long-term issue and that the effects would spread through the rural economy and rural communities.

Sales decline points to faltering retail growth

BY RALPH ATKINS AND MAGGIE URRY

AN UNEXPECTED fall in seasonally adjusted figures for December's retail sales yesterday provided further evidence that buoyant growth enjoyed by shopkeepers is faltering.



Provisional figures from the Department of Trade and Industry show that the index of retail sales volume fell 1.1 per cent in December to 132.9 (1980=100) against a record 134.4 in November.

The drop may be the first sign that the economy is entering a period of slower growth after the stock market crash in October. After an autumn of particularly buoyant retail sales, many City of London economists are forecasting a slower pace of growth in the next few months.

Labour campaigns to 'listen'

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE LABOUR party's two-year campaign to involve the public in its overhaul of policy was launched yesterday in the shadow of a potentially divisive, contest for Labour's deputy leadership.



Mr Kinnock: Listening stressed that, if he does stand, his decision should not be interpreted as an attack on Mr Kinnock's leadership but as a move to ensure the post incorporates a campaigning role intended to boost Labour's chances of an election victory.

Liberal MPs back new merger draft

BY OUR POLITICAL CORRESPONDENT

DECISIVE talks between Liberal and Social Democratic negotiators aimed at securing agreement on a revised policy statement for their proposed new party were underway last night at Westminster.

US drug makers favour UK

BY PETER MARSH

US-OWNED pharmaceuticals companies in Britain are likely to spend up to £200m over the next five years on new production and research facilities, according to an informal survey in the drugs industry.

Companies canvassed in the survey include big US drug makers such as Merck Sharp and Dohme, Cyanamid, Smith Kline and French Laboratories and Eli Lilly. US-owned companies based in Britain account for roughly two fifths of the £2bn worth of medications sold each year to the National Health Service.

at a slower pace. Consumer spending, of which retail sales form a large part, is set to grow strongly as earnings growth show no signs of abating and inflation is dipping.

WHILE YOU'RE WORKING ABROAD, DON'T LET YOUR MONEY TAKE IT EASY AT HOME. Advertisement for Halifax Building Society.

Even if you're living and working abroad it's still good to know that your money can earn a high rate of interest at home in Britain. Advertisement for Halifax Building Society.

ISLE OF MAN. The Financial Times proposes to publish this survey on: TUESDAY 17TH MAY 1988. Advertisement for the Isle of Man survey.

GEOPITAL. A more flexible approach to financing capital equipment. Advertisement for Geopital.

Shipowners win backing for tax investment plan

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

SHIPOWNERS have won Transport Department backing for fiscal incentives to reverse a 12-year decline in the number and tonnage of UK ships.

Transport ministers have accepted part of the case for incentives made in a recent submission by the General Council of British Shipping, and have asked the Treasury to help in the forthcoming Budget.

An internal report on the GCBS claims sent to the Treasury by Transport officials is believed to recommend the introduction of roll-over relief for balancing charges.

That means the Government would forgo tax on profits on ships in excess of written-down value, provided the money was reinvested in shipping.

Treasury officials are believed to have resisted offering incentives to shipping on the grounds that shipowners lacked entrepreneurial spirit and had been too cautious in their investment policy.

Treasury ministers have also been reluctant to make a special case for shipping for fear of inviting a flood of demands for help from other depressed industries.

The Transport Department report circumvents that argument, however, by basing the case for incentives on the strategic value of the British merchant fleet, particularly during a long conventional war.

The report says the fleet is still large enough to offer ade-

Stereo vision advance

By Paul Abraham

A SYSTEM OF enhancing vision in stereo which, it is claimed, will prove more important than the impact of Dolby on sound, has been developed by Aspek, a small, London-based technology company.

The design improves the sharpness and colour saturation of images. When special glasses are worn it also replicates normal three-dimensional vision by increasing depth. In tests, 91 per cent of people noticed a difference when the system was used.

Mr Spud Taylor, managing director, said: "Aspek will be bigger than Dolby because images are much more important than sound. The system is a long way from the gimmicks of exaggerated 3-D which were used in films such as *The Creature from the Black Lagoon*."

The system has potential applications in any recorded visual medium, including film, video, still photography and computer-aided design as well as computer games. The Ministry of Defence is also said to be interested in using stereoscopic vision for defence applications.

Aspek was set up last year with loans of £800,000 from venture capital companies ECI, BBHQ and Newmarket together with Fillingim, the glass manufacturer, whose space division helped with research work on the glass material. It is looking for a further £2m in the spring to help market the product.

Income from the innovation will be generated through hire of lenses to film companies, distribution charges on films and videos made with the system, licensing agreements and through industrial and military applications. The glasses will be sold initially to young people for between £6 and £25.

Stores lead advertising cash league

By Philip Rawstone

MULTIPLE retailers occupied the first six places in the top 20 advertising spending brands in 1987, according to figures issued yesterday by Media Expenditure Analysis (MEA).

MFI Stores headed the rankings - based on advertising expenditure on television, radio, and in newspapers and magazines - with an estimated £19.16m.

Dixons was placed second with £14.3m, and Currys close behind with £13.97m.

The next three in MEA's list were Woolworth (£12.58m), Comet (£12.23m), and B&Q (£11.5m).

Asda took seventh place with an estimated expenditure of £10.91m; and Ham-belwys (£9m), Texas Home-care (£8.64m), Tesco (£6.8m) and Boots (£6.71m), were the other retailers in the rankings.

The top spending brands on television, according to MEA, were McDonald's (£8.8m), Nescafe coffee (£8.69m), National Dairy Council milk (£7.95m).

Retailers filled the top 10 places in brand advertising in the national press. MFI led with an estimated £12.5m, followed by Currys (£11.2m) and Dixons (£10.7m).

Cigarette brands filled the first four places in the consumer magazines list. Benson & Hedges spent an estimated £8.31m on its king size Special Filter, and a further £6.42m on its Silk Cut king size filter.

The leading brand advertiser on commercial radio was Ariel automatic washing powder, with £1.5m.

Government to preserve 1,000 red phone boxes

BY FEONA McEWAN

THE DECISION to phase out Britain's traditional red public telephone boxes was never popular with the public.

Now the Government has announced that it is to preserve 1,000 of the kiosks, which are being replaced with updated models, by giving them a Grade Two listing.

The quota is double that agreed last year, and represents 2 per cent of the total.

Lord Cailness, Environment Minister, said: "It has become clear to us and English Heritage, our professional advisers, that more than 500 valuable telephone boxes should be saved."

Telephone boxes will be selected for listing because of

their "special interest" and their contribution to social and economic history.

Most of those saved will be 1935 models, designed by Giles Gilbert Scott, and located in heritage and conservation areas or in attractive urban or rural settings.

In recent years, the traditional red telephone boxes have been phased out by British Telecom in favour of modern boxes, which require less maintenance and are more suitable for disabled users.

Meanwhile, trade has been brisk for the old boxes.

Edifices selected for listing cover curiosities from palaces to bus shelters, country cottages to stone crosses.

Exhibition group formed

BY DAVID CHURCHILL

A TRADE association, the Exhibition Industry Federation, has been formed to promote the growth of the exhibition business.

The move brings together for the first time venue owners, exhibition organisers and site contractors to help existing trade bodies to promote trade shows.

Mr Leonard Lickorish, chairman of the committee setting up the federation, said: "The exhibition industry attracts an annual spend of £600m and more from domestic and overseas visitors to events in this country, and there is a great deal of potential, especially from overseas, with resulting benefits to the UK."

Lynton McLain looks at a warship yard's progress two years on from privatisation

Vosper Thornycroft hunts mines and big orders

ROYAL NAVAL plastic mine-warship yards have more than hunters sweeping the Gulf are a handful of orders, apart from also a floating advertisement VSEL, which is building Trident for Vosper Thornycroft, lead nuclear submarines.

Vosper is the main builder of the Hunt class vessels. They are patrolling off Saudi Arabia, which is in the warships in the UK and one of market for up to eight minehunters only two UK yards with this class, its latest single-role are the world's biggest GRP minehunter on order for the mouldings. HMS Quorn, last of RN, the first of which is being 11 Hunt class vessels Vosper has built for the RN, is due to be launched on Saturday.

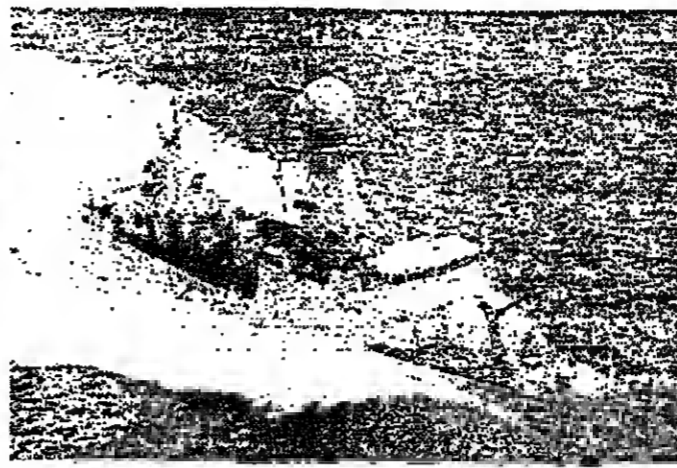
The yard is competing with the Italian Intermarine yard at La Spezia, which is building Lertici class minehunters, and in jet cutting equipment to the French-Dutch-Belgian consortium that makes the Tripartite minehunter.

If Vosper wins the Saudi order it would be the company's biggest export success since the yard was privatised in 1985. The yard was privatised in 1985 by the management of the Defence Ministry to state-owned British Shipbuilders. The yard was privatised in 1985 by the management of the Defence Ministry to state-owned British Shipbuilders. The yard was privatised in 1985 by the management of the Defence Ministry to state-owned British Shipbuilders.

Exports accounted for 53.6 per cent of the £88m turnover in Vosper's first full financial year, to last March, when the company's speciality is exporting newly privatised company fast patrol craft. It can also make pre-tax profits of £2.75m. build steel frigates and destroyers.

Success in winning orders, although it has not done so from Saudi Arabia would since 1985.

enhance Vosper's reputation for specialist, generally small-scale try suggestions that it could warships at a time the conventional steel warships market is suffering from overcapacity. Mr Peter Usher, managing director, says: "We intend to continue to pursue our major contract to build the HMS Quorn, the MoD in Liphig's Clyde yard, also privatised by British Shipbuilders. The UK market for minehunters is small but we do



One of Vosper Thornycroft's exported warships

not see frigates as a big opening for us."

Nevertheless, Vosper has bid for the latest batch of up to four Type 23 anti-submarine frigates, worth up to about £600m. The Type 23 is the RN's newest warship and is of conventional steel. The ministry's decision is expected in June.

Since privatisation, Thornycroft's strategy has been to seek exports as a high proportion of turnover; develop its expertise in building plastic warships; maintain a capability to build conventional frigates and destroyers; and expand non-shipbuilding activities, especially those complementary to shipbuilding.

The policy of diversification has ensured that more than a

quarter of the total workload last year involved electronic systems and other non-shipbuilding work.

That includes design and building of machinery and secondary surveillance systems for UK Trident nuclear submarines. Before privatisation, non-shipbuilding work accounted for as little as 10 per cent of the yard's turnover.

Mr Usher says Vosper's productivity has risen by about 37 per cent since privatisation. "We felt free to take the actions that were necessary. I went on stage in cinemas in Portsmouth and Southampton and said to the employees we would pay the going rate if we could remove restrictive practices."

"This was the prime objective, to remove demarcation and not pay for hours that were not worked."

The workforce was cut from 3,000 at privatisation to 1,850 by last year's end.

Mr Usher says: "People are better motivated, there is less waste of effort with the removal of demarcation, 90 per cent of employees own shares in the company and they all enjoy a profit bonus of a week's pay."

Vosper operates from two sites: Woolston yard, Southampton, specialising in GRP and steel vessels; and Portsmouth yard, Portsmouth, specialising in high-speed patrol boats.

It is reputed to build vessels of such quality that some staff talk about mythical golden rivets, an allusion to the quality of finish and materials and the possible element of gold-plating in design.

When its Hunt class minehunter HMS Berkeley went into service in November, Captain Norman Barter, who has accepted 46 ships into the RN, told Vosper directors: "HMS Berkeley is the best ship we have accepted so far."

Vosper is building Atlantic Challenger for a US client to challenge Mr Richard Branson's crossing. A naval strike vessel is being completed at Portsmouth for a Middle Eastern client.

None the less, the yard is under-used and could build six fast patrol craft at once. Vosper recently won a contract to design anti-submarine corvettes for the Thai Navy. "This work keeps designers and draughts-

men on our books," Mr Usher says.

Vosper operates three divisions, covering controls, hydraulic power and support projects, each operating with "a reasonable degree of autonomy."

The hydraulic power division exports about 80 per cent of its output of stabilisers and steering gear, including to the US Coast Guard.

Mr Usher says these non-shipbuilding activities are essential to provide Vosper with "a base load that is more stable than shipbuilding, which we see as very lumpy, with large fluctuations."

Vosper wants equal turnover from shipbuilding and non-shipbuilding activities.

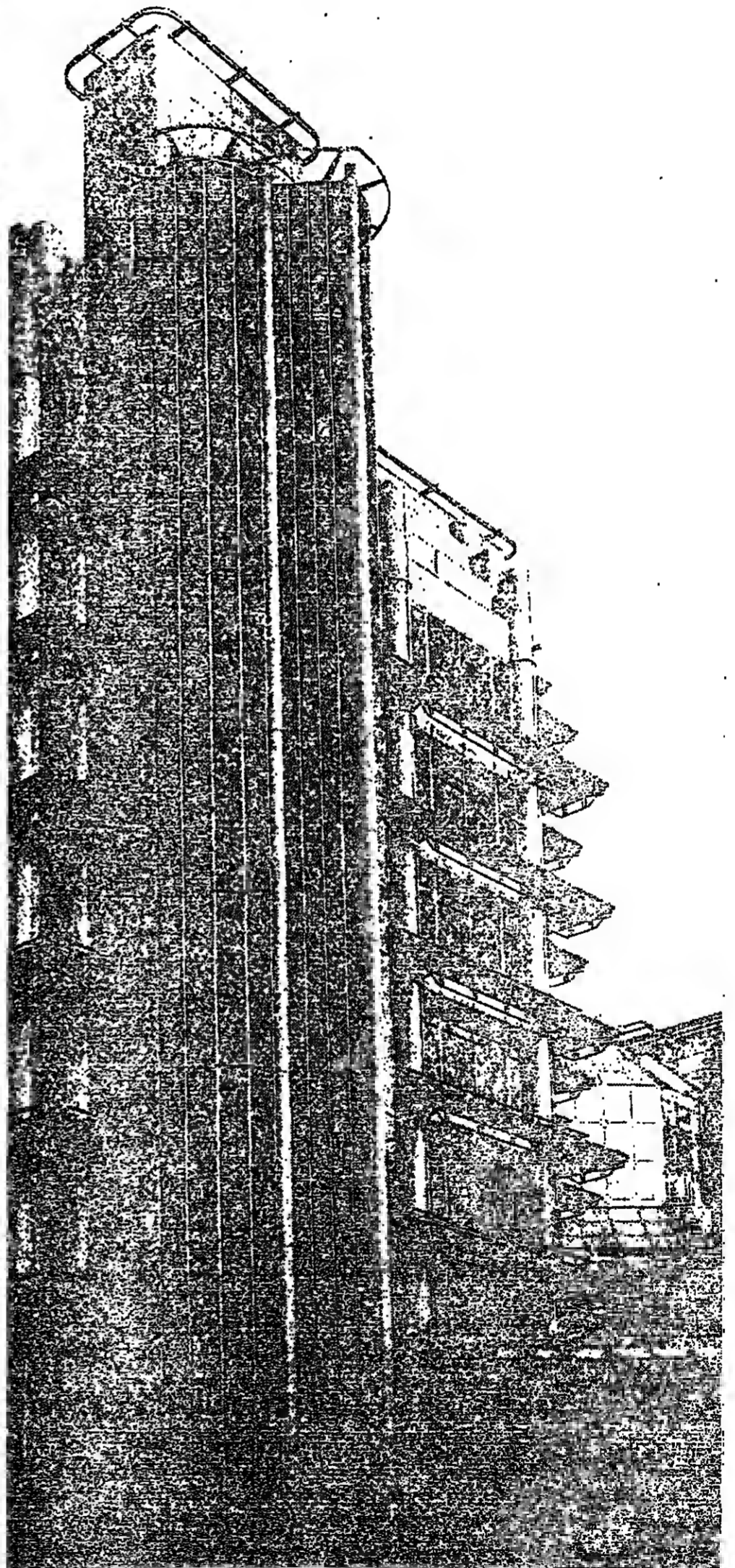
"Ideally, we want to build up shipbuilding rather than diminish it, and build the non-shipbuilding sector at a faster rate to give greater stability to the business," says Mr Usher.

He says that with a forward order book of £200m and a "very good cash position at the bank, accompanied by no over-extended loans or deferred purchases, we are a financially viable company, standing on its own feet."

The £18.5m the directors paid for the company has been repaid. Says Mr Usher: "In facing the world we are not a sensitive, tentative management buy-out. We will float the company on the Stock Exchange in due course, possibly three years from the buy-out. That could mean this year."

Merrill Lynch, Rosemeyer Place, London.

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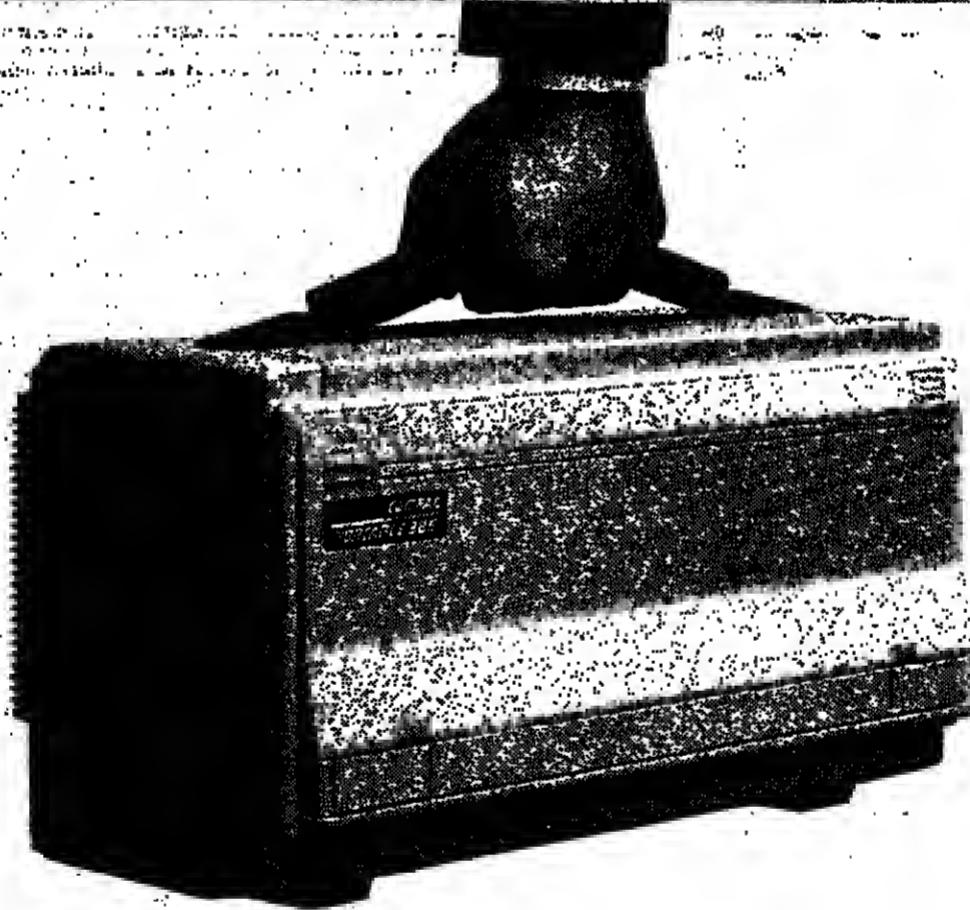
information about 32 chunks at a time, making even the lightning responses of current 16-Bit machines look decidedly slowwwwww.

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FT LAW REPORTS

Voyage charterer can set off claim against freight

COLONIAL BANK v EUROPEAN GRAIN AND SHIPPING LTD. Court of Appeal (Lord Justice Fox, Lord Justice Johnson and Lord Justice Mustill): December 21 1987

A SHIPOWNER can claim freight under a voyage charter party if the charterer wrongfully repudiates the contract before the ship reaches destination.

The court of appeal has held in Colonial Bank v European Grain and Shipping Ltd that a charterer can set off his claim for freight against a claim for damages for wrongful repudiation of the contract.

Lord Justice Mustill said that in April 1982 shipowners assigned to the bank all the earnings of their vessel, Dominque. In June they chartered her to the charterers for a voyage from India to Europe.

by clause 16 was still running when the contract came to an end. The charterers made unsuccessful efforts to arrange continuation of the voyage but had to give up and procure the on-shipment of the cargo by another vessel.

If the dispute had not been concerned with the specialised field of voyage charter the case would have seemed straightforward. Even assuming that the owners' right to freight survived termination of the contract, it could not in equity be enforced in the face of the charterers' over-topping right to recover damages for repudiation - a right so closely linked to the claim for freight that enforcement of one could not be considered in isolation.

However, the relationship between claims for freight and cross-claims for breach of charter was governed by rules very different from those which applied to ordinary contracts for the performance of services.

In ascertaining the rights of the two innocent parties, the arbitrators decided in favour of the charterers, and Mr Justice Hobhouse in favour of the bank. The charterers appealed. The first issue was whether, had the freight not been assigned, the shipowners would have had a right (apart from any cross-claim) to recover freight, notwithstanding their wrongful repudiation.

claim for money until five days had elapsed from surrender of the bills.

If that were correct, the clause itself supplied the answer on the first issue. The owners and their assignees had an entitlement to freight which survived repudiation of the contract, and which became enforceable within five days of July 26, the latest at which the bills of lading were surrendered.

The second issue was whether the charterers' cross-claim for damages for repudiation enabled them to resist the owners' prima facie right to collect the freight.

Historically freight in the strict sense was regarded as payment in exchange for carrying goods to destination. The question whether damages for wrongful repudiation could be set up in diminution of freight could never have arisen, since if the contract terminated prematurely the goods would not have reached destination.

of freight as account of loss or damage to cargo, and nobody had ever previously suggested that there was one.

The Arles was not fatal to the charterers' argument that damages for repudiation formed an effective ground of set-off.

There was nothing in the reported cases which would prevent the court from giving effect to any right of set-off which might otherwise be appropriate simply because the claim was for voyage freight.

As to whether a set-off could properly be allowed, one must turn to the general law. The cases encouraged the belief that courts of equity would have regarded the shipowners' claim for freight as having such a close link with the charterers' claim for non-performance, that the one could not properly be enforced without the other being taken into account.

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MANAGEMENT EDUCATION AND TRAINING

Publication date 2 March 1988. Copy Date 8 March 1988. The Financial Times propose to publish this Survey on the above date. A number of areas will be covered including: What is to be done about British Management? How do Managers actually think? How can 'Intuitive' thinking be improved? How are leaders developed and teams built?

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CIVIL AVIATION IN THE PACIFIC BASIN: THE PATTERN OF THE FUTURE. Singapore, 25 & 26 January, 1988. For information please return this advertisement together with your business card, to: Financial Times Conference Organisation, 125 Jermyn Street, London SW1Y 4LU.



FINANCIAL TIMES SURVEY



The region has diversified and is better able to withstand an economic downturn, though slow growth

could impede investment, says Roderick Oram. The success of a regional plan hinges on co-operation between many authorities, but could offer a model to other American cities.

Time now for a new accord

THE PHILADELPHIA region, enjoying rapid growth through the 1980s, has become one of the most dynamic major metropolitan areas in the north-eastern United States.

Now comes the hard part. It is to build on those gains, local business and political leaders must learn how to co-operate better on a regional scale.

Any tensions between the city and its neighbouring suburban counties or inefficiencies created by inadequate infrastructure proved but a minor hindrance to growth over the past six years. The local economy, depressed through the 1960s and 70s, was ripe for a strong rebound.

But the protracted period of expansion has started to strain resources. The supply of labour, for example, has begun to tighten, which could lead to higher wages. This could trigger in turn an escalation in the affordable house prices that are one of the area's attractions.

Similarly, increased economic activity has heightened the need for a number of major road and other infrastructure projects. Progress will also be tougher, because of the uncertainties that have built up in the US economy since last autumn. Although the region has become more diversified in recent years and better able to weather a national downturn, slower growth could intensify

competition between communities for new investment.

In a sense, something far less tangible but ultimately more important than the next new job of factory is at stake. Prosperity has markedly improved the region's self-image and confidence. But these could sink back, re-exposing all the old self-doubts, if recent gains are frittered away. Cementing the successes, though, could neatly complete a cycle begun more than 100 years ago.

In the latter half of the 19th century, Philadelphia was one of the key centres of the US industrial revolution. Eager entrepreneurs lent enormous drive to the local economy, making it and themselves rich in the process. The hey-days lasted well into the 20th century, bequeathing many of the city's educational and cultural amenities which still enhance life in the Delaware Valley today.

But gradually, old money became highly conservative, excessively tied up in safe but locally unproductive investments such as federal government bonds. The decline of traditional manufacturing strengths was hastened by international competition. The final damage was done when the area "was clobbered by back-to-back recessions in the early 1980s", says Mr Mickey Levy, chief economist of Philadelphia's Fidelity Bank.



The tapering top of the skyscraper, One Liberty Place, now dominates the downtown skyline - see page 2

Now, manufacturing employment accounts for only 20 per cent of local jobs, close to the national average, compared with 40 per cent in 1970. Confidence was severely dented. "There can be a tremendous lack of vision about what this city can be - a failure to plan for success - but that's changing," says Mr Bill Rouse, a leading local real estate developer, who has pushed hard, with measurable success, to get the city to believe more in itself.

Not only is the vigour evident at a civic level. Swelling ranks of young entrepreneurs are being assisted by greatly improved financial and service facilities. The area has developed recently, for example, a healthy venture capital pool, thanks to the efforts of civic and business leaders.

The changes have been profound. "Fifteen years ago, death rites were being read in many meetings on the economic health of the Philadelphia area," wrote Anita Sammers and Thomas Luce, of the University of Pennsylvania's Wharton Business School, in a comprehensive study of the regional economy. But the diagnoses failed "to take into account the extent to which market forces induce accommodation," they added. As old and

less concerned, Mr Luce argues, for example, that the region will attract a bigger migration of new workers than generally expected. Even so, he and many other analysts and leaders agree with Mr Naroff's central conclusion: "How business and government react to the regional labour shortage will determine the future economic health of the Delaware Valley."

Encouraging and depressing signs of regional attitudes to tackling this and broader local issues have marked the past year.

On the optimistic side, the counties banded together to run a textbook effort to attract a major new investor. Together, they sold Eastman Kodak, the photographic group, on a home for its fledgling pharmaceutical business which it intends to develop into a \$1bn a year business. When the city of Philadelphia saw that its chances of beating out Baltimore were waning, it threw its support behind another local contender, Malvern, a small dormitory community outside the city. One of Baltimore's prime attractions was its simpler form of local government, but the Philadelphia area mustered its forces for a last ditch and ultimately successful campaign.

A far less edifying event took

place at the turn of the year. Mr William Stead, general manager of the Southeastern Pennsylvania Transportation Authority, resigned after only five weeks in the job. He was driven out by the frustration of dealing with Septa's highly politicised board, which is deeply divided between representatives from Democratic Philadelphia city and its neighbouring Republican counties.

"Septa is the central poison" in local relations, full of "blatant politics and power plays," says Mr John Claypool, executive director of Greater Philadelphia First, a business-government regional economic development body.

Mr Stead charged that the battles, which had been raging long before he arrived, had stymied all efforts properly to maintain, let alone develop, the nation's fourth largest mass transit system. He warned that the system's trains and buses were in poor, and in some cases dangerous, condition.

Some Philadelphians had thought his departure inevitable. They had him marked as a boy scout tackling a marine's job in the tough world of Philadelphia politics. But the shock of his noisy exit may be ultimately beneficial if, as hoped, it hastens some radical changes

in Septa's governance.

This is crucial to the region, because an improved transit system, particularly in the suburban counties, would help ease the tightness of the job market. Mr Luce and others argue that the labour pool is suffering more from a mismatch of geography and skills than an outright shortage. Better transport would get the right people to the right jobs.

On the positive side of the balance sheet of local co-operation, a comprehensive regional plan is about to be delivered to the Pennsylvania State Government. Under development since late 1986 by a group of politicians, business and civic leaders from five counties, it identifies a large number of regional road, rail, port, airport, water, sewage and other infrastructure projects.

A key criterion was that "each project has to have a fairly significant impact on the economic activity of the region with benefits across more than one county," says Mr Claypool, who was deeply involved in formulating the proposals.

Tellingly, though, the plan was to be called Greater Philadelphia's Partnership for the Future. At the last moment, some counties in the metropolitan area insisted on dropping

the first two words, because they said they were not part of Greater Philadelphia.

None of these regional initiatives is binding on the participating bodies, so success will hinge on co-operation between county, township, city and other authorities. Although there is a regional planning council, a large part of the effort to encourage development comes from a mosaic of joint private-public sector bodies.

"The change in the last six years is remarkable, from 'fight your neighbour' to regional co-operation," says Mr Walter D'Alessio, chairman of the Greater Philadelphia Economic Development Commission and president of Latimer and Buck, a mortgage banker. "Politicians are at least saying they need to co-ordinate to band against the common enemy or to seek help from, for example, the state government."

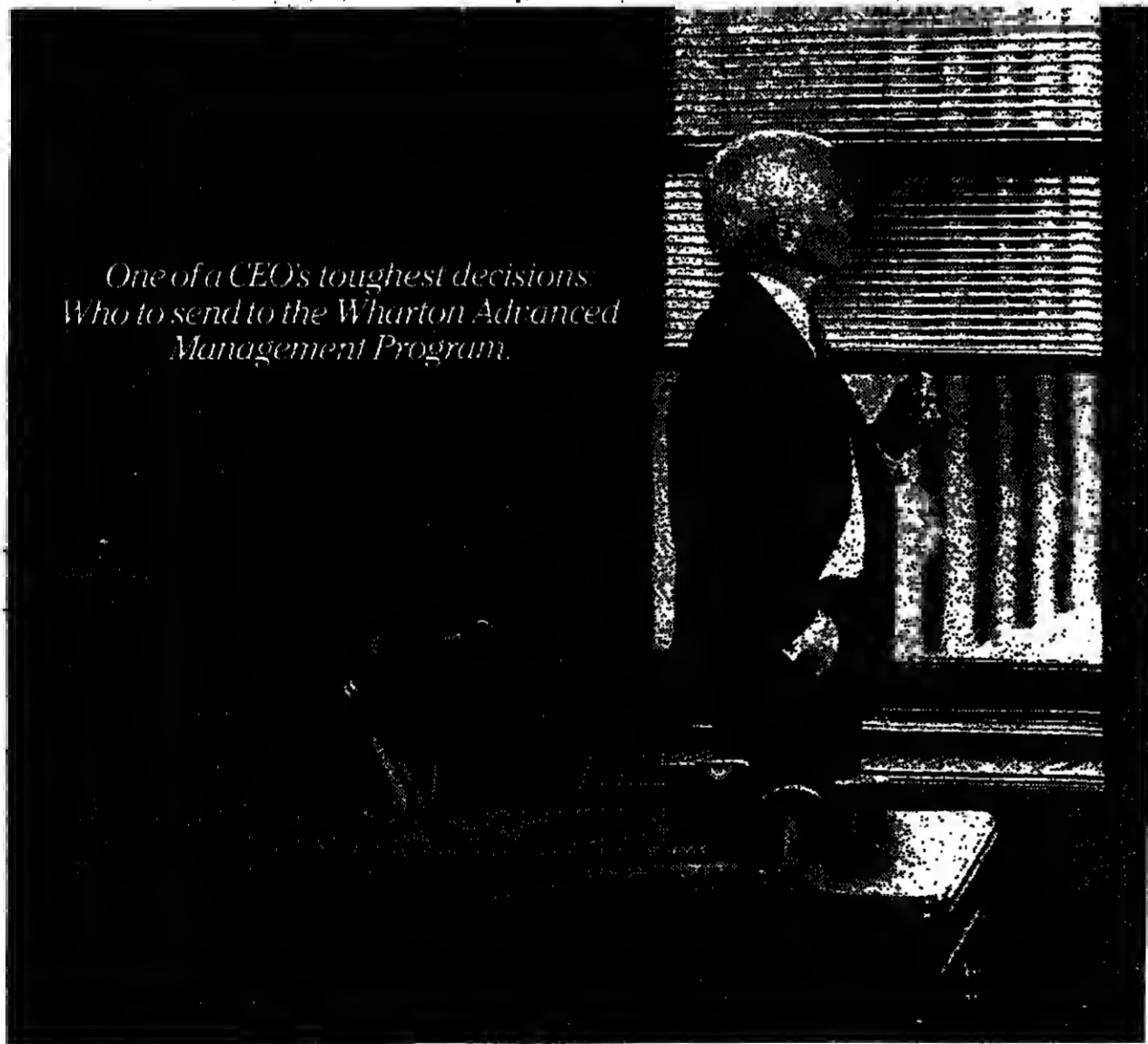
The sense of hope is shared by other leaders, who believe that, if the Philadelphia region finds the solutions, it could serve as a role model to other US metropolitan centres wrestling with the same urban issues. Such national prominence would work wonders for the region's self-esteem. Whether it achieves that hangs on how well people work together in the next few years.

Perhaps, when local people come to look back on this crucial period, they will be able to judge the significance of a big event this past summer: the celebration of the 200th anniversary of the birth of the US constitution.

Planning for it got off to a chaotic and financially troubled start, but by the time the nation turned its eyes on Philadelphia, the city and its neighbours had, somewhat to their own surprise, got their act together. They enjoyed the party and the limelight enormously. Now they must ensure that it was not just a celebration of past achievements but the launch of those to come.

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PHILADELPHIA 2

**Frank Lipsius finds a healthy independence of New York in the banking community
Mergers may strengthen local sector**



The Stock Exchange

Seeking a new home

PHILADELPHIA HAS a Stock Exchange Place, to commemorate the oldest stock exchange in the country, if not the oldest still functioning in the world. But the exchange outgrew that location (its second) more than 15 years ago. Now it is again looking for a new home.

Its 505 members trade the most diverse instruments of any exchange in the US. The exchange is most famous for its currency options trading, which is somewhat frustrating to Nicholas Giardano, the former accountant who is its president. Only a quarter of the exchange's income is from trading in eight currencies, the same as from stocks; fully a half is from stock options.

The stocks it trades are of two types: exclusives on a couple of hundred local or other small companies, and about 900 issues that also trade on the New York Stock Exchange. Still, the association with currencies is well earned, as the instrument was pioneered in Philadelphia.

At the outset, in December 1982, the exchange was trading 30,000 contracts a day. This is now up to 50,000, which, Mr Giardano assumes, are largely traded as some form of hedging rather than as speculation.

Exchange seats traded hands most recently for \$95,000, down from a high of \$155,000 on September 11. Besides the trading floors for each instrument, the exchange (and its 560 employees) provides the service of a depository, one of three in the country that save brokerages paperwork.

Mr Giardano said the exchange had found a counter-cyclical trading pattern in currencies, a welcome discovery after the October 19 collapse, which caused a scare but no failures among members.

He admits that the exchange is considering offering a new instrument, which he will not name. For currencies, Congress had to pass a law to define currencies as securities, a formality that Mr Giardano hopes to avoid with the next one.

This will probably be in a new building, since the exchange will decide this year about moving. The office floor in its trading complex, which Goldman Sachs owns but wants to sell, looks out on trees in an atrium, but it leaves no room for the growth that is expected.

Frank Lipsius

EVERY MAJOR bank in Philadelphia has been involved in an unprecedented merger frenzy that has completely transformed the local financial community.

The only remaining large Philadelphia-based bank holding company is CoreStates, the parent of Philadelphia National Bank, and its two gobbled smaller banks, Hamilton and New Jersey National Bank.

Fidelity Bank does not like the implication that it is no longer a local bank, but it did recently merge with First Fidelity Bancorporation of Newark, and corporate headquarters will be situated in New Jersey

The only Philadelphia bank to be taken over by a New York one is First Pennsylvania

near Princeton, equidistant from the two components.

To Henry P. Glendinning Jr, the chairman of local investment bank Rutter & Singer Inc, the mergers were long overdue. "It used to be that, as soon as a company got big enough, it moved to New York. First the finance department left, and then the whole company. With these bigger regional banks, maybe the companies can stay here."

If so, it will have justified the loosening of banking regulations to allow the regional alliances that are creating a band of mid-sized healthy banks independent of the dominating influence of New York money centre banks, many of which are hobbled by Third World loans. The only Philadelphia bank to be taken over by a New York one is First Pennsylvania, in a merger with Marine Midland, which is itself owned by the Hongkong & Shanghai Banking Corporation.

The major alliances have been forged with Pittsburgh banks, which have tended to become the dominant partner. Pittsburgh National merged with Provident National, the banking headquarters for the merged PNC Financial Corp is Pittsburgh, but the Philadelphia bank retains its identity, and Philadelphia is the headquarters for the combined trust department.

Mellon Bank took over the Girard, a venerable Philadelphia institution which it obliterated in identity and contracted painfully in local personnel. Many outsiders point

to the merger as an example of the wrong way to go about such activities, especially after Mellon had its own reputation soiled by recent financial woes.

Members of the local banking community tend to be more charitable. Errol Pote, chief executive of Fidelity Bank, noted that Girard had its own problems when Mellon took it over. Its reputation for having mastered electronic consumer banking was unscathed, and Mellon had to impose its own systems on what it had hoped would be Girard's contribution to the merger (to go along with Mellon's business banking systems).

CoreStates is sticking to its knitting, as well as to Philadelphia. Picking as its niche "special credit services" according to Philadelphia National Bank chairman and chief executive Frederick Holding, the company has escaped the folly of Third World loans and picked up other banks as clients for its cheque-clearing and automated teller services.

Like many businessmen, CoreStates proved the wisdom of a conservative lending and operations policy, which had given the holding company 10 per cent growth a year and a sophisticated network-handling capacity. The bank has a merchant banking subsidiary in London, and clears cheques for 1,000 foreign banks in a bid to be "an integral part of the world economy and not just a sideshow", as Holding puts it.

The conservatism of CoreStates goes along with the philosophical bent of other major Philadelphia financial institutions, like money managers for pension and trust funds. "After all, this is a Quaker town," notes William G. McKenna,



PNB's Frederick Holding: "not just a sideshow"

president and chief executive of Provident Capital Management Inc, a wholly owned autonomous subsidiary of Pittsburgh-based PNB Financial Corp. "Quakers and conservatism go together."

His own company, which has \$5bn under management for 60 clients, pioneered the Philadelphia specialty in "value investing" in stocks with the lowest price-earnings ratios. He can invest in only the 600 companies with the lowest p/e on Wall Street, of which about 150 are held at any one time. They sell the shares as they rise above the category, a strategy,

according to company literature, that has provided compound annual rates of return over 10 years of 17.4 per cent compared with the Standard & Poor's 500 rate of 13.5 per cent.

About a dozen similarly committed investment funds exist in Philadelphia, according to McKenna, including W.H. Newbold's Son and Co, Brandywine, Asset Management of Wilmington, and Cashman Farrell & Associates. Provident Bank itself followed a similar but less rigid policy of investing in companies with low p/e's compared to the company's or industry's historic performance.

The conservatism of Philadelphia goes back a long time, as evidenced by the venerable insurance companies started there, including the first fire insurance group in 1754 and the "Presbyterian Ministers' Fund," the country's first life insurance company (and first chartered company) in 1759. Though no longer tied to the Presbyterian denomination, the company still sells insurance primarily to clergymen, and its 65 sales representatives are former ministers.

Now run by Robert Kloes, a former partner of accountants Touche Boss, the company has had an equal number of clergy

Local conservatism is evidenced by some venerable insurance companies

and non-clergy heading it over the years. Its socially responsible approach to investing practices buying tobacco or alcoholic beverage companies, a category of investment that overall did less well than the average before the stock market crash of October 19, but has done better since.

The same could be said for the Philadelphia investment community overall. It never grew as large as New York's and will not have to contract as much. According to Fidelity Bank economist Joel Naroff, "there will not be relocating offices as there were in New York, just a slow decline in some areas", as the Philadelphia financial community benefits from its distance, mental and geographic, from New York.

Real estate developers believe the city will appeal to many US companies as a regional headquarters

How they broke the mould and went over Penn's head

A GRACEFUL new 60-storey skyscraper with a tapering top stands head and shoulders above the surrounding collection of boxy buildings in downtown Philadelphia, a symbol of the city's economic renaissance and new-found sense of optimism.

One Liberty Place, completed late last year, has brought variety and interest to the city's skyline. All the other buildings are lower and flat-topped, truncated by a tacit understanding among developers not to poke above the head of William Penn, the state's founding father whose statue stands on top of City Hall.

It was widely felt that the height convention gave the downtown a more human scale than, say, New York. But Mr Bill Rouse, the leading real estate developer and unflinching promoter of its attractions, who broke the mould, believes that once buildings get above 10 storeys or so height is irrelevant in questions of scale.

Instead, the convention was motivated more by financial than aesthetic considerations.

There was no economic reason for building more than about 40 storeys high. First, people were unwilling to put together enough land, and second they thought there wasn't the demand for the office space.

He felt otherwise as the city boomed in the mid-1980s and bid fiercely to assemble the large parcel of land on which Liberty Place stands. He also believed that, if he offered an attractive building that soared rather than edged above William Penn, the public would accept it.

"Three years ago, opinion was probably too close to evenly split for comfort. Now, probably fewer than 10 per cent are opposed," he says. "I think we have come through relatively unscathed."

One Liberty Place's 1.2m square feet of office space brought to more than 5m square feet the total of new prime office space built downtown so far in the 1980s, according to Mr John Binswanger, president of Binswanger Company, a national real estate firm which has grown up in the city.

In addition, rehabilitated buildings accounted for something around an additional one-third of space. Yet the downtown vacancy rate has remained low, fluctuating in a narrow range of between 8 and 11 per cent of total space over the past four years. By comparison, the national rate has risen from about 13 to 17 per cent, according to Coldwell Banker, another national real estate firm.

"The conservative way of life here has kept the city from being over-built," says Mr Rouse. "It has kept supply and demand in better balance."

His competing developers were distinctly nervous, however, when he decided to press on with a companion 68-storey tower as part of a \$600m complex encompassing 125,000 square feet of retail space and a 300-room luxury hotel. Who would fill it and other buildings underway if the local economy, like the national, began to cool?



One Liberty Place is said to bring more than 2m square feet of total prime office space built downtown in the 1980s

all 1m square feet of Two Liberty Place, which Mr Rouse will rechristen after it; while the city will take over the bulk of its old space for its own offices. CIGNA expects to save \$100m over the next 15 years in its new home.

The deal "has improved the Philadelphia scene tremendously as far as absorption. That was a very serious question," says Mr Binswanger. "Once he was able to complete that transaction, then the absorption factors works in the favour of the developers again now for a while."

Mr Rouse, more optimistic than some of his competitors, believes that the demand for downtown office space continues to be explosive. "I think the city could be short of space in the next 15 months, which may accelerate the next generation of buildings."

The area's real estate developers are pinning their hopes for strong demand on further growth among local companies, particularly in pharmaceuticals and services such as accounting and legal. One trend downtown is for service companies, such as banks and insurance companies, to move their executives and managers into new prime office space while relocating their clerical employees into cheaper rehabilitated buildings. Given the city's good labour pool in lower grade skills and its extensive mass transit system, the downtown has large potential as a home to such back office operations.

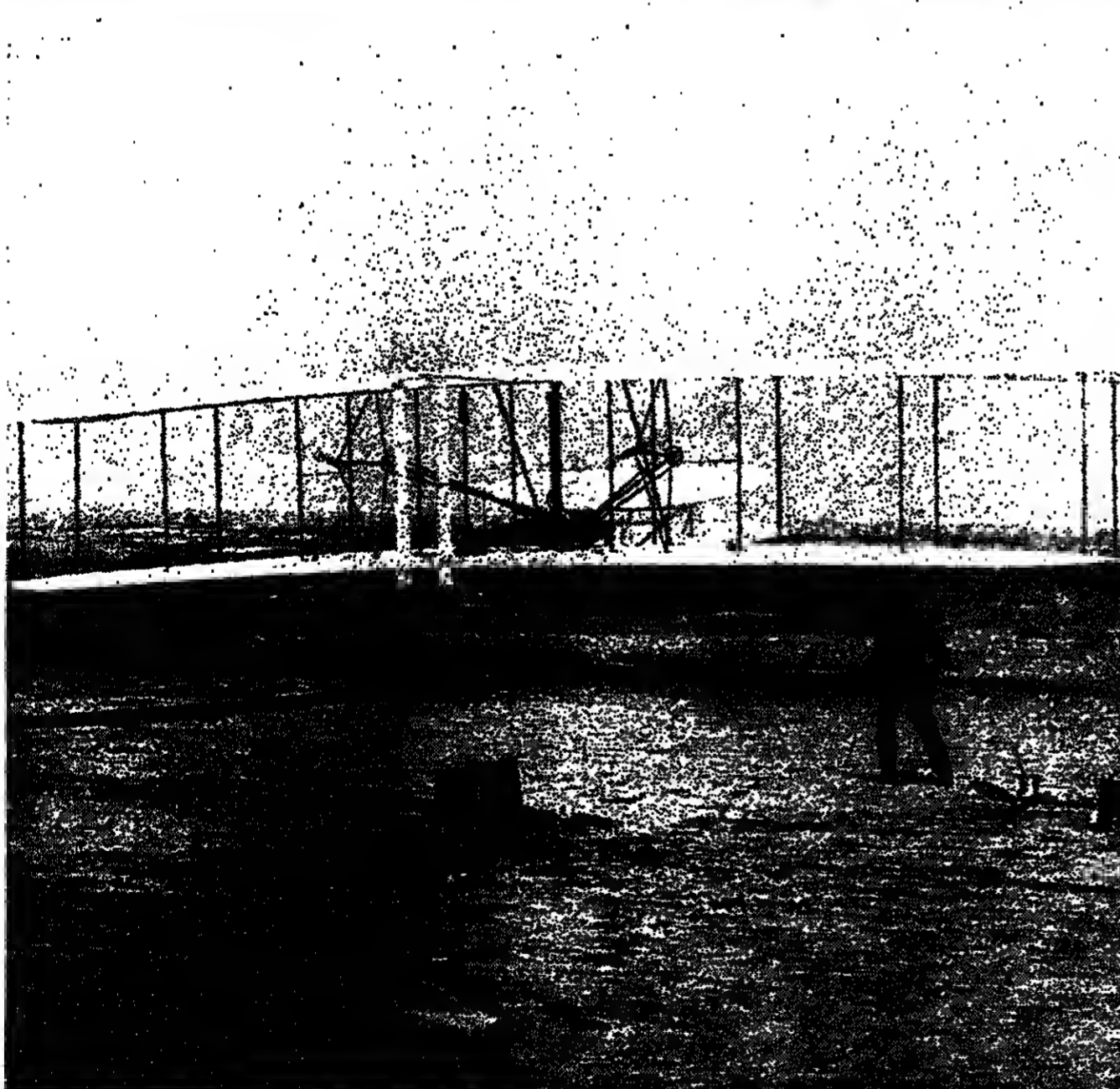
Although the city's office rental and employee living costs are below those in New York, they are not likely to attract a company seeking a new home. If it is going to take the trouble to move, it will probably choose a low cost southern city. J.C. Penney, for example, a leading retailer, is moving from New York to an outlying suburb of Dallas.

But developers believe Philadelphia will appeal as a regional headquarters for many US companies and as a national base for some foreign companies. The same also applies to industrial and commercial space which, though cheaper than in some other places on the eastern seaboard and well served by transportation links, cannot compete on price alone with more rural or southern locations.

In an effort to draw in more foreign clients, Binswanger opened a Tokyo office last year, but this will serve all 15 of the company's US office rather than push Philadelphia in particular. It also hopes to attract new investors and owners but also investors from Japan, said Mr Frank Binswanger, who runs the firm's industrial and commercial divisions.

Over the coming years, the next downtown areas to boom will probably be those lying to the east and west of the present opportunity. There is a substantial opportunity exists to build above the 30th Street railway station; while the area to the east, particularly along Market Street, should benefit from the construction of the city's convention centre.

Roderick Oram



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PHILADELPHIA 3

Politicians face problems that are gritty and intransigent, says Frank Lipsius

House the homeless, stem the drift

THE DAY before Christmas, Mayor W. Wilson Goode held a press conference to announce the funding of what will be an \$11m programme for permanent housing among Philadelphia's estimated 18,000 homeless.

He took justifiable pride in the effort to help provide a permanent solution to what is a pervasive problem in America.

While the news was welcomed by supporters who crowded into the ornate 19th century City Hall reception room, housing the homeless does not garner wide appeal. It is, however, one of the chronic difficulties faced by old American cities and it is one that Philadelphia is trying, with some success, to solve, if without the credit it deserves.

The city's problems are gritty, intransigent and unglamorous. They include rubbish disposal, public transport, education, and municipal workers who could repeat the costly unpleasant strike of two years ago when their contracts ran out this summer.

Philadelphia's troubles encouraged the exodus to the suburbs, which have enjoyed spectacular growth in the past three decades. Federal road building made the escape from entrenched urban woes easy. The suburbs first took the city's residents and then its businesses, with shopping malls and offices that seemed to rob the city of its most vital centres.

Philadelphia has fought back. Its latest success has been to persuade the area's third largest employer, SIGMA Insurance, to keep its 4,400 employees in the city rather than move to the suburbs. Admittedly, a package of incentives was used, which probably means that the city was paying more to rent the old SIGMA headquarters



Mayor Goode: into his second term



Congressman Gray: secured subsidies

than SIGMA will pay to rent the latest city skyscraper. But the suburbs had their own incentive package, which the city had to match, and the company soon made good on its attraction of remaining in town.

Fighting to keep businesses in the city has become part of a mayor's job, since Edward I. Koch did it so successfully in New York. Mayor Goode, a Democrat, seems equally adept at the required manoeuvres, which include placing developers and, to some degree, easing the health of the city with its number of new, sometimes oversized and not always pleasing new buildings.

Philadelphia has been lucky that its largest new building has made a distinctive contribution to the skyline, but a \$400m convention centre is now planned, which critics contend could prove costly to city residents, who may ultimately have to pay for an exaggerated expectation of its benefits and an underestimation of its costs.

As well as housing the homeless, Mayor Goode, who was inaugurated for his second four-year term this month, has made progress on other unyielding problems. Two years ago, he endured and won a two-week strike by municipal workers, which kept wages down but, according to economists, did not offer ballooning benefits. This time, the mayor commissioned a management consultants' report, which indicated that the Streets Department alone could save \$26m with better equipment and a reduction in staff.

The report, prepared by Creasap, McCormack and Pages, proposed that the unions be asked to agree to reduce staff by natural wastage, without lay-offs, falling which the city should privatise the work of rubbish removal by contracting it out.

With the city facing a \$35m shortfall in its present \$1.8bn budget, the mayor has called for a hiring freeze and proposed selling some city-owned buildings to raise money.

The city has run small surpluses in the last three years, a unique achievement for a major American city. It has overcome anticipated deficits in the past, including one last year of \$65m, which ultimately turned into a \$12m surplus, largely because of a one-off tax amnesty that raised \$25m.

The largest single source of revenue in the city is the controversial and resented wage tax. At 4.3 per cent for non-residents and 4.96 per cent for residents, it is the highest such tax in the country and, according to a Wharton School study of the region's economy, has cost the city at least 100,000 jobs.

Pennsylvania's highest court recently ruled that the state should pay for the court system, bringing the city a potential \$90-100m windfall, which Mayor Goode intends to use to lower the wage tax. In an interview at City Hall, the mayor also proposed state-wide tax reform, to increase sales tax by

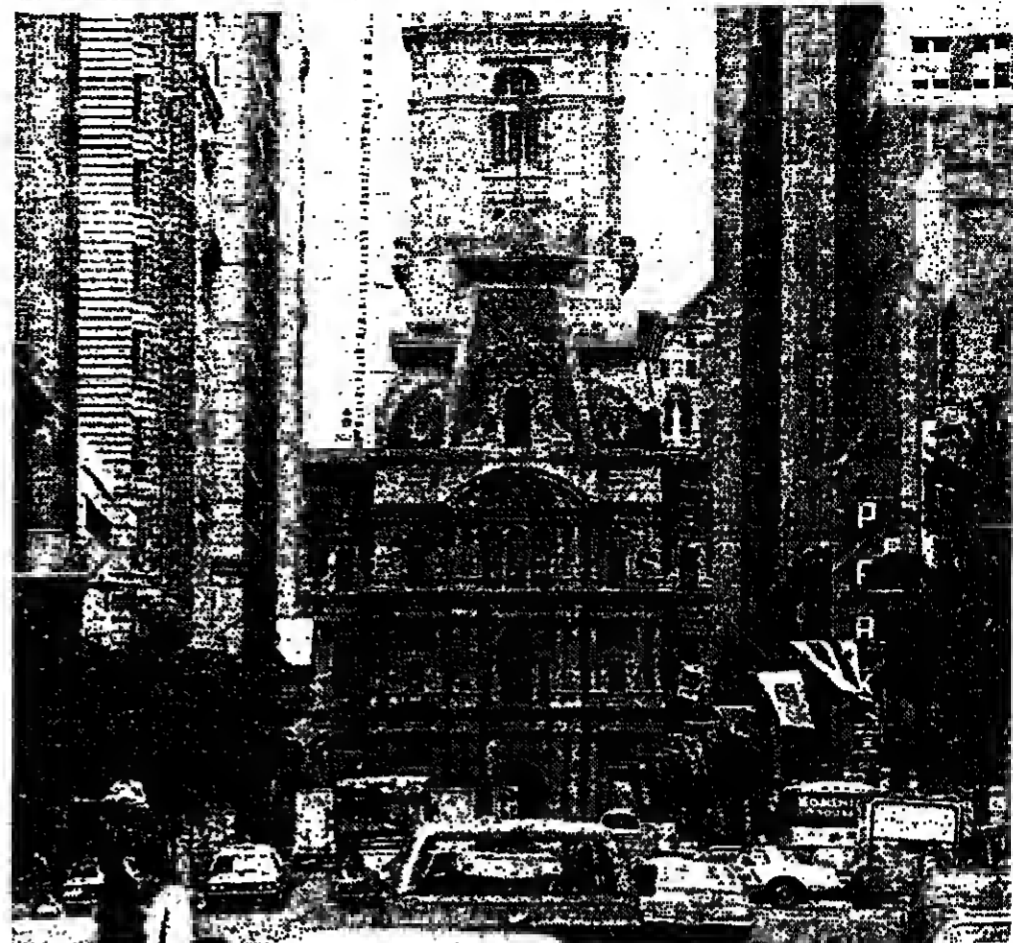
1 per cent, as part of the wage-tax reduction. The election last year of a Democratic governor helps to shift the balance of power in the state to the advantage of the city offsetting the entrenched coalition of rural and suburban Republicans. A Democratic President would also benefit the city, compared

with the Reagan years, which have cost Philadelphia \$45m in federal programmes.

The city's greatest asset in Washington is Congressman William Gray III, chairman of the crucial House Budget Committee, who still preaches in his North Philadelphia church. He has helped the city to avoid accounting penalties in Washington, while getting the area included in various federal subsidy programmes.

Despite a Democratic majority, the city council is a noisy, combative and sometime embarrassing agglomeration of neighbourhood partisans. Philadelphia remains a city of neighbourhoods, whose preservation is a high local priority — though the city's most famous recent event, the bombing and devastating fire at the headquarters of MOVE, a black cult group, in May 1985, is remembered for the destruction, not its intention to preserve a Philadelphia neighbourhood.

The agenda of Mayor Goode's second term includes effective neighbourhood improvement, and making areas match better such historic names as Hunting Park, Parkside and Strawberry Mansion.



City Hall: where the chronic difficulties faced by an old American city are tackled



Foreign investors

Manufacturers sought who will create jobs

ON DECEMBER 5, Air France started a direct service between Philadelphia and Paris, a route it had abandoned in 1973.

"Our market surveys showed an influx of tourists and leisure travel," said John A. Vitale, Air France's district manager in Philadelphia. "In addition, there has been an increase in French-US commercial ties, including corporate headquarters and other connections, that justify the route."

Among French companies operating in the area are Saint-Gobain, which owns Certaineed, an insulating company; Carrefour, the hypermarket specialist, which is starting its American expansion in the city; and Compagnie Generale des Eaux, which owns two Philadelphia competing water utilities. A survey of international businesses in the region, conducted by Arthur Young, France ranks fourth behind, in order, the UK, Germany and Japan.

James De Long, head of the Philadelphia Airport, finds Air France's move "encouraging", while recognising that "international businessmen need daily service". Air France will have three flights a week by the peak period in summer, and hopes eventually to have seven.

Having come from Houston — where British Caledonian inspired Continental to start a competitive route to Britain and both did well — Mr De Long notes that: "As international traffic increases in Philadelphia, airlines will get more comfortable with the city and use it more." He expects that over the next two decades Philadelphia will quadruple its air traffic from the current 15m passengers a year.

Mr De Long is among those who are impatient to see the city fulfil its destiny as the country's fourth largest city, rather than by a weak straggler between the magnets of Washington and New York.

But some foreign investors came to the city precisely because they preferred to avoid the competitive pressures of other areas. Henry F. Giendinning Jr, the chairman of Butcher & Singer Inc, Philadelphia's largest investment bank, noted that Germany's Prince Johannes von Thurn und Taxis is buying a 30 per cent stake in the company for \$18.5m, because "he wanted to be a big fish in a little pond".

Agusta Aviation Corporation, a government-owned Italian helicopter manufacturer, made its American headquarters at Philadelphia's Northeast Airport, because "it is the best location in the country. It has no traffic at all," according to Vincent Genovesi, the vice-president of finance and administration. The city lent it money on such favourable terms to build the new headquarters that it made money by leaving the loan in a bank account while waiting to start construction.

"We got \$2.7m from Philadelphia Industrial Development Corporation in 1984, and \$600,000 in a federal grant. We could have had more, but our project was originally on a smaller scale," Mr Genovesi leaves the impression that the city need not have made any concessions at all. But Philadelphia benefits from federal grants that private investors pay back to a private agency, like PIDC, the first city-founded self-sustaining urban development corporation in the country.

To some extent, PIDC's role is to transform the old industrial base of the city for contemporary use. Philadelphia is littered with antiquated empty buildings that, according to the deputy commerce director for neighbourhood development, Elaine Black, cost more to tear down than rebuild. The city is contributing to its own renovation as it helps companies get the space they need.

PIDC provides companies moving into the city with concessionary loans, as well as the contacts to find developers and negotiate the path through the local bureaucracy. For IKEA, the Swedish furniture company that started an extremely successful American operation in

Philadelphia, PIDC found the developer to whom it sold for \$1.1m land for a warehouse, which IKEA hold a lease-buy option.

Britain's MFI Furniture Centres Limited has five kitchen fittings shops in Philadelphia. "The real prize, of course, is the manufacturing facility here," says the PIDC chief of research, Webster M. Christman III. "But this is a start."

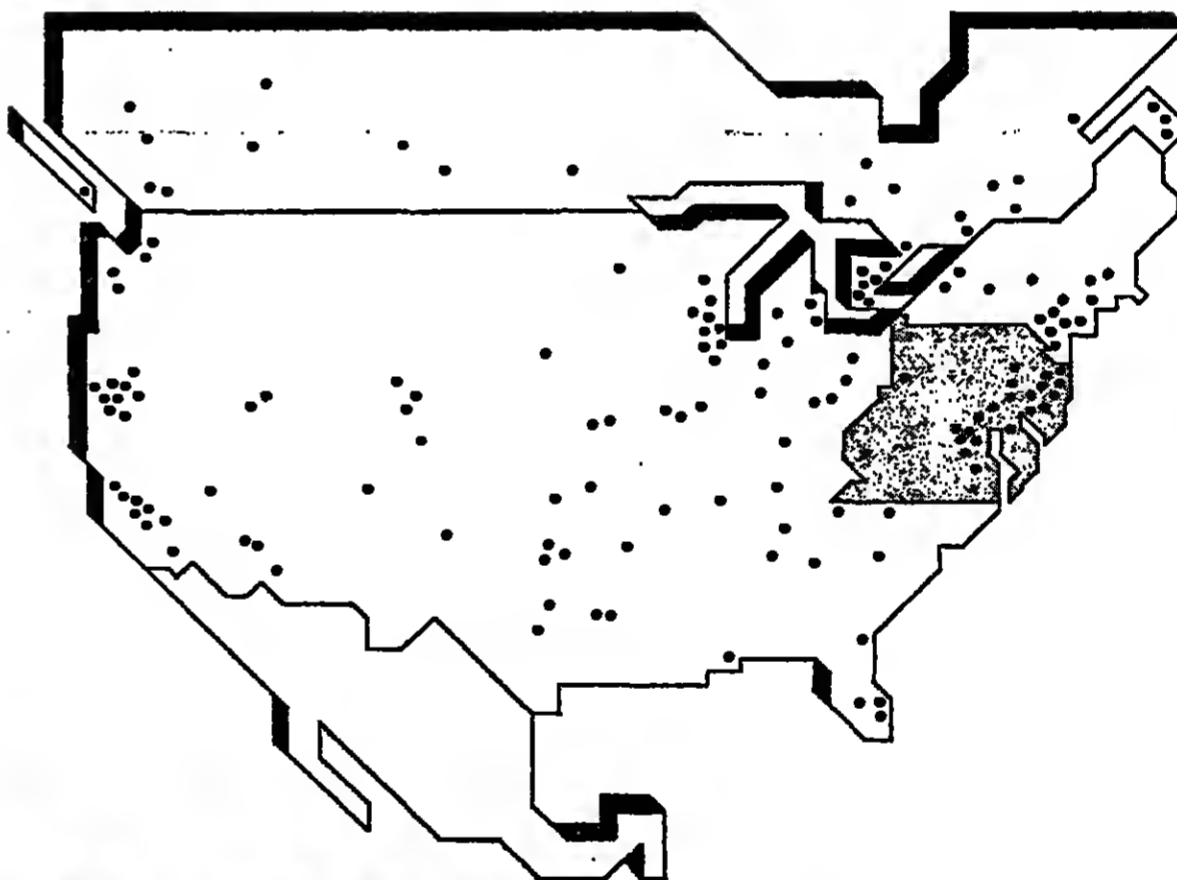
Probably the greatest foreign investment in the city is the Singapore Government, a Dutch company, Arab investors and a British pension fund all own major properties in the city centre. And yet, according to Mr M. Walter D'Amico, of mortgage brokerage Latimer & Buck, Philadelphia has not matched the volume of foreign real estate investment of other parts of the country.

The city wants to encourage foreign investment primarily in manufacturing and business enterprises that will increase local employment. PIDC is part of a network of government agencies set up to foster relocation and job-creation. The Private Industry Council (PIC) trains workers with government grants, and the city's commerce department has a foreign section headed by Brian Collier devoted to helping exports as well as foreign investment in the city. PIC works with 1,800 companies, for which in 1987 it provided more than 5,000 workers with as much as six months training.

The Arthur Young survey noted that 59 per cent of the respondents were in manufacturing, and that 36 per cent had sales in Philadelphia of \$2m-10m while a quarter had sales of \$10m-25m. The person responsible for choosing a Philadelphia site was, in nearly half the companies, the chief executive — which supports the observation by Mr Christman, of PIDC, that, "especially among Europeans, Philadelphia is very congenial in scale. And, unlike other cities, it does not shut down at the end of the business day."

Frank Lipsius

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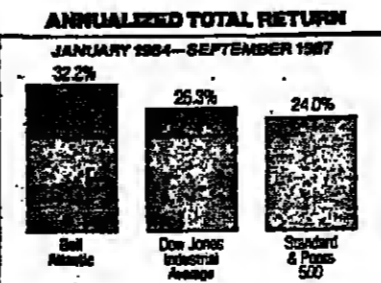
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PHILADELPHIA 4

Entrepreneurs are broadening the high-tech base

Venture funds raise economic optimism

A YOUNG entrepreneur's pitch for financial support to a recent meeting at the Union League, bastion of Philadelphia's business establishment, revealed a number of essential aspects of the new dynamism of the local economy.

He was, by his own count, the third employee of Commodore International, the manufacturer of home computers, to set out on his own, indicating that the success of some of the region's large high technology companies was helping to stimulate entrepreneurial zeal.

His presentation was directed at an audience of some 120 members of the Delaware Valley Venture Group, which brings together the area's venture capitalists.

The association's rapid growth reflects the speedy development in the past few years of a local financial and service infrastructure, which is helping to nurture new entrepreneurs.

"We're starting to see spin-offs from established high-tech companies," said Dr Ian MacMillan, Director of the Sol C. Snider Entrepreneurial Centre, at the University of Pennsylvania's Wharton Business School. He sees this as evidence of a growing willingness among local businessmen to try to develop their own companies.

The trend should help the Philadelphia area to broaden its high technology base. Although the sector has become one of the strongest in the local economy over the last 20 years, generating jobs while more traditional industrial sectors have contracted, it is dominated by only a few large companies in a handful of industries.

The present base benefits from the presence of relatively stable high technology industries such as pharmaceuticals. Thus the region is unlikely to suffer the fate of, say, Silicon Valley, California, which is heavily dependent on the fortunes of the highly cyclical semi-conductor business. Philadelphia business leaders, keen to encourage diversification as a way of strengthening the local economy, have been taking steps to ensure the infrastructure is in place.

A 1981 study by the Greater Philadelphia Chamber of Commerce concluded that the region was endowed with essential ingredients such as highly rated universities and a long history of corporate research and development, plus evidence of latent entrepreneurial talent in the form of some existing start-up companies. But it also showed up a dearth of venture capital essential to growing new companies.

Armed with some corporate commitments to contribute money to a venture capital fund, business leaders set out to find a fund manager. They chose Mr Walter Aikman, who had spent the previous 15 years running the Boston venture capital operations of Palne Webber, the Wall Street investment bank. "I know of no other set-up like this where the city came together to get the fund off the ground," he said.

Mr Aikman started his first Philadelphia fund, Century IV Partners, in 1983 with \$30m from local companies and institutions. It has invested only one-third of its money in local companies, however, reflecting Mr Aikman's belief in spreading a wide net to ensure a satisfactory financial return.

He began a second fund in 1986 with \$20m from pension plans of State of Pennsylvania employees, and a third one last October with \$15m from Japan's largest venture capital company. He hopes to raise a fourth fund this year from local corporate sources.

Mr Aikman is also looking for money from European investors, believing that venture capital is becoming increasingly international. As young companies are obliged to look abroad at an earlier stage in their development, they could benefit from the help of foreign investors in those countries.

A number of other venture capitalists have been attracted subsequently to the area by the idea that it is developing into a high-tech, entrepreneurial centre which has the benefit of having been previously somewhat neglected by comparison with other parts of the country.

"This is a good place to look for deals and ideas. They are cheaper here than, for example, on the West Coast," said Dr Bernard Tenenbaum, associate director of the Snider Entrepreneurial Centre.

One fund that responded to this attraction was APA/Fostin Capital Fund. The largest fund in the area, with some \$40m, it is a joint venture between Alan Patricof Associates, of New York, and Fostin Capital, of Pittsburgh.

All told, six new funds, totalling more than \$110m, have started in the area over the last year or so, representing a 25 per cent expansion in the venture capital pool. Even with this growth, Philadelphia ranks behind some second-tier venture capital cities, such as Chicago. But the influx of funds has, nonetheless, encouraged the start up of local companies.

SmithKline Beckman is an example of the way established companies are trying to stimulate start-ups. One of the largest pharmaceutical companies in the country, it has set aside \$50m in its own venture capital fund called SR One, while also contributing to joint efforts such as Century IV.

"We want to support new companies with mutual interests and goals," said Mr Henry Wendt, SmithKline's chairman. "Few are able to commercialise on a worldwide basis, and we can also help them technically."

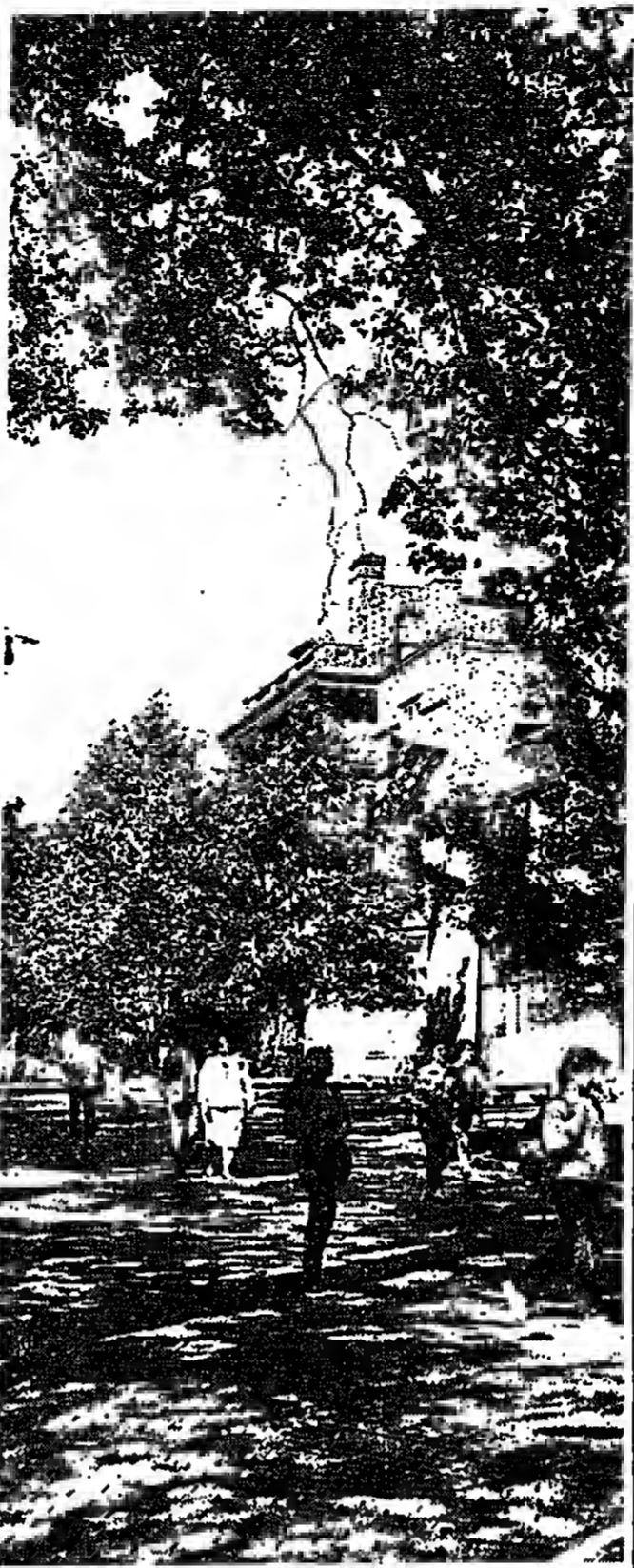
Help is also at hand from the state government, in the form of the Ben Franklin Partnership, named after one of the country's founding fathers.

Began in 1982, the partnership, is considered by some to be one of the best economic development programmes in the country. It provides money to help bring together universities, industry and local job development agencies in Philadelphia and three other areas of the state designated as advance technology areas.

Start-up companies are also benefiting from "incubators" such as the University City Science Centre in Philadelphia. These are providing not only affordable accommodation for fledgling companies but also access to research and development facilities.

Taken together, the range of corporate and government initiatives offer cause for optimism that the regional economy will be able to reap some of the fruits of the entrepreneurship and research and development in the high technology sector.

Roderick Oram



The campus of Pennsylvania University; highly-rated universities contribute to the region's mood of enterprise

Manufacturing

New highways should let people reach jobs

THE HIGH technology sector continues to be one of the brightest spots of the regional economy, with a number of major manufacturers deciding in recent years to locate new operations, some for the first time, in Philadelphia or neighbouring counties.

The challenge for the late 1980s to local politicians, educators and business leaders, however, will be to ensure that the region does not fall victim to its own success.

Notable among the pressure points in the early stages of a labour shortage, which has arisen partly because of a mismatch of both skills and location between the people who are unemployed and the jobs that are being offered.

If these potential constraints are dealt with, then the growth seen through the 1980s is likely to continue. The area has already cemented its position as a leading high technology centre, perhaps the fifth largest in the country. The broadly-based nature of the local economy has masked this, however, so the region has yet to acquire the cachet or prestige of such east coast high-tech rivals as Boston.

The reputation would be justified, though, by the Philadelphia area's concentration of high-tech jobs; these account for 2.6 per cent of the nation's total, whereas its total workforce is only 2 per cent of the country's. While the region lost some 60,000 manufacturing jobs during a painful retrenchment of traditional industries in the decade up to the mid-1980s, high technology generated more than 10,000 new ones.

Creation of more high-tech jobs should be stimulated by a number of factors, including a boom in venture capital in the region and some major road improvements.

The recent end to a decade-long legal battle has allowed construction to resume on a major highway development, Interstate 476, which will greatly assist road transport in the western area. Many high-tech companies are already there, particularly in a corridor along Route 202, which runs north-south from the Pennsylvania Turnpike through the northern and western suburbs of the city.

One of the best candidates for

growth among high-tech sectors is military equipment, according to Frank Rapoport, who runs the government practice of Saul, Ewing, a large Philadelphia law firm.

Recent defence budget cuts will make the business much more competitive, which will make the region's advantages even more important. "We've got an infrastructure here that will help you get government contracts," said Mr Rapoport.

Elements include higher education institutions, local banks that have developed skills for lending for government projects, and a comprehensive network of lawyers, consultants and accountants to help companies through the thickets of government business.

Mr Rapoport has helped to establish the Delaware Valley Defence Council, which gathers together some 30 companies in the sector. One of its primary purposes is to help companies to share their expertise on how to deal with the Government. It also "educates congressmen on what government contracts mean to this area."

He already rates highly the effectiveness of the local congressional delegation in Washington. Defence spending is the lifeblood of a number of major local employers, such as Boeing Helicopter and Penn Shipbuilding, neighbours on the Delaware River downstream from the city of Philadelphia.

Boeing's workforce has risen from 4,500, in 1984, to around 6,700 now, although it is still substantially below the Vietnam war level of 14,000. It is currently rebuilding more than 300 Chinook helicopters, which have been in service with the US military since the 1960s. The upgrading programme, which will run until 1990, will keep the aircraft flying into the next century.

Its other main project is the V-22 Osprey, a joint venture with Bell Helicopter, a Textron subsidiary. The first prototype will fly this summer, leading to the production of some 900 aircraft worth \$23bn in coming years which will be shared with Bell. The Osprey project is involving some 200 Pennsylvania sub-contractors, and has also generated work for British companies such as Lucas, British Aerospace, Westland and Martin Baker.

Penn Shipbuilding has taken on a new lease of life with a contract to build four tankers for the US Navy. The first will be launched this summer, and will be the first new ship the yard has built in almost seven years, during which time it has survived on repairs and conversions. It is negotiating hard for more tankers in the same series, and to expand some existing tankers.

After Sun Oil had sold the yard in 1982 to Texas company, it foundered for several years before being bought by some Alabama investors. They were attracted by its location at a major port and very close to the interstate highway system, railways and international airport.

The new owners have used the assets well by, for example, turning 45 acres into a container terminal, which draws on the shipyard's labour force at lower rates than the longshoremen's union elsewhere on the river. They have also invested in improvements and have learnt new modular methods of ship construction from IHI, the Japanese heavy engineering concern, resulting in extraordinary productivity increases.

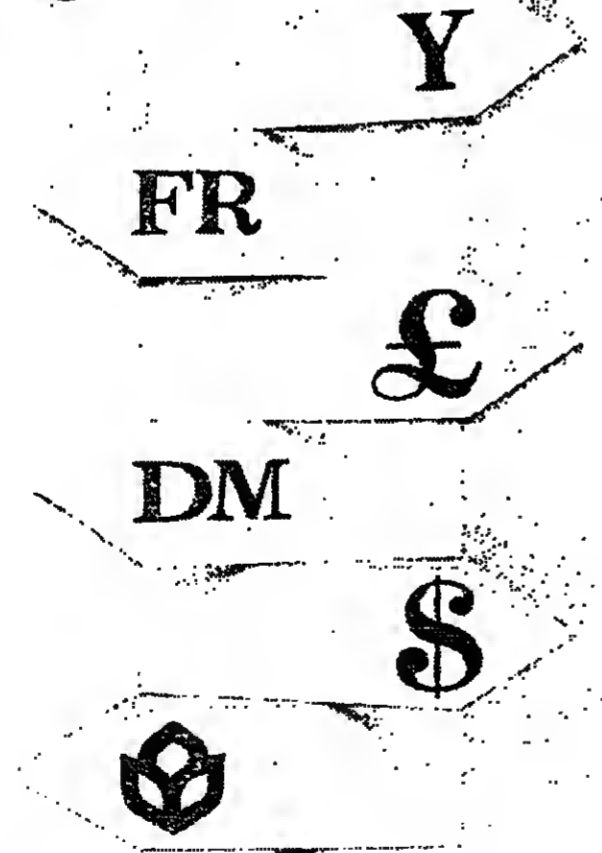
Having outlasted many of its competitors, Penn has a chance of long-term survival. Along the Atlantic seaboard, for example, it is one of only a handful of major shipyards and has one of three big dry docks. Following the demise of the last dry dock in New York harbour, the US Navy has had to change its home port rules, thus allowing Penn Shipbuilding to tender for more repair work.

This upturn in work has pushed Penn's workforce up by some 600 employees over the past year to 1,500. The company had to recruit from depressed shipyards in the south to fill some highly skilled slots, which reflected the tightness of the labour market in the area.

But Mr James Nealis, vice-president of administration, gave high marks to the county's educators for working with local businesses to meet labour needs. Given the lead times on the new navy contracts that the company hopes to win, he believes it will be able to add sufficient staff from the local pool.

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PHILADELPHIA INTERNATIONAL AIRPORT

PHILADELPHIA 5

Frank Lipsius considers the city's tourist attractions

New hotels for old, and an air of small-town intimacy



Hunting down souvenirs in the Bourse shopping mall

PHILADELPHIA surprised even itself with the success of its Constitution bicentennial celebration. The sudden recruitment of developer Willard Rouse, to head *We the People 200*, turned the city's general expectation of failure into a 50 per cent rise in total tourist revenues last August, and 100 per cent in September. The festivities emphasised long-running events with historic scenes to prevent the rush on July 4, and the strategy worked. But it was not enough to overcome a lingering fear that the city has just not managed to keep up the pace as a tourist attraction. A 5 per cent hotel room tax, instituted in 1983, allows the city to conduct a \$2m annual

advertising campaign and put about the same amount toward the building of a new convention centre. At \$400m, it would take a long time to finance with the room tax, but the state is making a major contribution in an effort to lure people to what the region considers one of the country's most deserving and unappreciated tourist destinations. The building of a new 1,000-room hotel in conjunction with the centre is a sign that the city is not a lost cause, despite the recent loss of more than 1,500 hotel rooms with the closing of the Bellevue Stratford, Penn Centre and Philadelphia Centre and hotels. In fact, the city already has replacements in Four Seasons, Sheraton, Society Hill, and the

completion of a new hotel-residence complex on Rittenhouse Square that is under way after numerous delays. Philadelphia has long aspired to be considered a big-time place, but much of its appeal is in the small-town flavour and intimacy that a city of two million can maintain. The downtown area still consists largely of four- or five-storey townhouses, many of them recently transformed into lawyers' offices, but still on the scale imported from the past. A restaurant renaissance has fostered the commercialisation of Philadelphia's small houses with intimate eateries featuring menus of their unique creation. A city once confined to seafood houses and hoagie shops (not to mention street vendors with

purpose. "The important thing is to keep working. You can do that here and not in New York," Mr Zizka says, "while it is close enough to go there any time."

Surveys show that the Wilma's 2,500 subscribers overlap the city's other, better-known cultural institutions like the Philadelphia Orchestra and the Art Museum. The Wilma hopes to add a young crowd to this base, and is looking for a larger space in the downtown area.

So too is the Philadelphia Orchestra, which has plans for a \$85m to \$90m hall designed by Richard Venturi, the local architect who is also designing the National Gallery extension in London.

When Blanche Schlessinger and Barrie Van Dyck established a Philadelphia literary agency, the local Daily News commented about the launch party in November: "If someone had dropped a bomb...it would have wiped out Philadelphia's literary community."

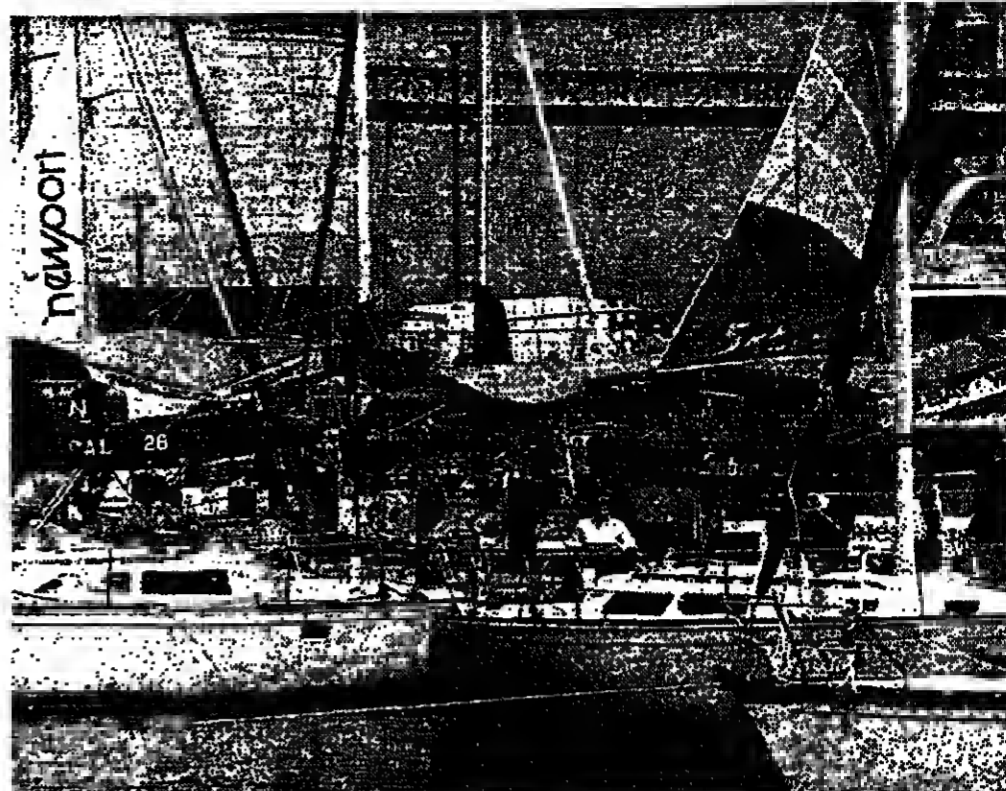
A long-term promoter of the Philadelphia book market, Mrs Schlessinger did not know what kind of reception she would receive in New York, but she said that publishers "were glad to have direct access to Philadelphia's large but diffuse literary talents".

An uninvited academic community includes the nationally-ranked University of Pennsylvania and the international Temple University, which recently set up a thriving branch in the city.

Well heeled donors, like the William Penn Foundation, and the Pew Foundation support the arts in the city. Temple University has an art gallery in the middle of the Walnut Street shopping area, surrounded by private dealers in numerous media from many periods, including Helen Drutz's ceramics art with its national clientele. The Philadelphia Academy of Fine Arts, where Tomas Eakins taught, still flourishes to supply the local dealers, who also have ready access to the country's rich past.

Julie Courtney, director of the Temple Gallery, says that New York artists consider the gallery "a hot venue, because of its ground-floor location among commercial galleries and businesses in the heart of the city". Shows since it opened in 1985 have included works by Louise Bourgeois, Group Material and Komar and Malamid, who put a full-sized bust of Stalin in the window.

Besides attracting crowds to stare at the window, the show was a particular hit among the surprisingly large immigrant community which, like Jiri Zizka of the Wilma Theatre, finds Philadelphia a habitable urban environment in the midst of the best that the country has to offer.



The marina, Penn's Landing, on the Delaware River

In case you're off to Philadelphia in the morning...

Rivka Nachoma provides a guide for the visitor

DAILY TRAVEL costs in Philadelphia are some of the highest in the US, averaging \$206 per day, per person, including lodging, meals and rental car. Airport: Philadelphia International, tel (215) 492-3181, seven miles from the city centre, 20-40 minutes by airport bus/limousine. Airlines: American Airlines (215) 385-4000; British Airways 492-2450; Delta Air Lines 928-1700; Eastern Airlines 923-3500; TWA 492-2210; United Airlines 568-2800. Car Hire: Avis (215) 492-3350; Hertz 492-2902; National 492-2750. Limousines: Classic Limousine (215) 925-9335; Limeight Limo 342-5557. Taxis: United Cab Assn (215) 625-2881; Yellow Cab 922-8400. Rail: AMTRAK, 30th St Station, (215) 824-1600. Bank: Fidelity Bank, Broad & Walnut, 19102, tel (215) 985-8000. First Pennsylvania Bank NA, Broad & Chestnut, 19101, tel 786-5000. Philadelphia National Bank Broad & Chestnut, 19101, tel 629-3100. Provident National Bank, Broad & Chestnut, 19101 tel 585-5000. Hotels: Dunfey Hotel, City Line & Monument, 19131, tel (215) 667-0200. Four Seasons, 1 Logan Square, 19103, tel 963-1500. Franklin Plaza, 17th & Vine, 19103, tel 448-2000. Hershey, Broad at Locust, 19107, tel 893-1800. Hilton, 34th at Civic Center Blvd, 19104, tel 387-8333. Palace, 18th & Parkway, 19103, tel 962-2222.

Restaurants: A'Propos (continental), 211 S Broad, tel (215) 548-4424. Le Bec Fin (French), 1523 Walnut, tel 567-1000. Deja Vu (continental), 1635 Pine, tel 546-1193. Deux Chemises (French), 251 Camac, tel 985-0387. Di Lullo (Italian), 1407 Locust, tel 567-3559. Frog (French), 1524 Locust, tel 735-8882. Hoffman House (German), 1214 Sansom, tel 925-2772. La Famiglia (Italian), 8 S Front, tel 922-2853. La Truffe (French), 10 S Front, tel 925-3062. Shopping Hours: 10am - 6pm (Mon-Sat). Shops: The Gallery (collection of shops), Ninth & Market. Wanamaker's (department store), Chestnut & 13th. Entertainment: Academy of Music (concerts), (215) 833-1930. Annenberg Center (plays), 898-5781. Shubert Theater (plays), 735-4768. Veterans Stadium (sports), 463-1000. Museums: Academy of Natural Sciences, 19th & Ben Franklin Pkwy. Norman Rockwell Museum, 601 Walnut, Philadelphia Museum of Art, 26th & Ben Franklin Pkwy. Rodin Museum, 22nd & Ben Franklin Pkwy. War Museum & Library, 1805 Pine.

Other points of interest: Independence Hall, Chestnut between 5th & 6th. Liberty Bell Pavilion, Market between 5th & 6th. Mummers Parade, Broad Street, January 1. Newspapers: Philadelphia Inquirer (morning); Philadelphia Daily News (afternoon). Useful addresses: American Express, 2 Penn Center Plaza, tel (215) 587-2300. City of Philadelphia Chamber of Commerce, 1680 Municipal Services Building, tel 688-5606. Convention & Visitors Bureau, 1515 Market, tel 636-3000. Emergency services: Alcoholics Anonymous, (215) 222-5940. Ambulance, 755-6758. American Automobile Assn, 589-4411. Dentist, 925-6050 (weekdays), 561-5281 (nights & weekends). Doctor, 563-5343. Legal Referral, 686-5698. Poison Control Center, 922-5533. Suicide Hotline, 686-4420.



PHILADELPHIA occupies a unique place in American history, and the city's Independence National Historical Park contains many reminders of the Revolution and the establishment of the US Government. Among them are Independence Hall (left), where the Declaration of Independence and Constitution were signed, and the Second Constitutional Congress decided to resist England, and Washington became Commander in Chief; also the famous Liberty Bell (above).

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Philadelphia Industrial Development Corporation

TECHNOLOGY

Genentech's new drug, Activase, is being hailed as the biotechnology industry's first 'blockbuster', and has rekindled interest in the potential of genetic engineering in general

EAGLE EYE

by Louise Kehoe

GENENTECH'S recently released genetically engineered heart attack drug, Activase, has become the "most successful new drug ever launched," chief executive Robert Swanson boasted last week at an investors' conference in San Francisco.

The "blockbuster" that followers of the biotech industry have awaited for so long has finally arrived, he claimed. More than 100 heart attack victims were treated with the drug, which dissolves blood clots, in the Thanksgiving weekend immediately following its mid-November release.

In just seven weeks, Genentech clocked up sales of \$58m. The news has rekindled enormous excitement about the potential of genetic engineering in general, and about the prospects for new medical breakthroughs in particular.

Setting on breakthroughs

Among the most closely watched companies is Amgen, a California company that has developed a genetically engineered version of erythropoietin (EPO) a natural substance that can be used to treat anemia in kidney dialysis patients.

Analysts estimate that there is an annual \$100m market for EPO when it wins approval from the US Food and Drug Administration. Amgen is building a manufacturing plant to produce the drug in large volumes, and this is scheduled for completion by mid-1988.

Amgen is also a leader in the race to test and market one of the proteins that is thought to control the human immune system. Granulocyte colony stimulating factor (G-CSF) is seen as a potential treatment for cancer patients whose immune system is damaged by radiation and chemotherapy treatment. In addition it could possibly help treat victims of AIDS.

This year, Amgen also hopes to begin tests of "human growth factors" substances that could dramatically speed the body's healing of wounds. Within a few

years they could help surgical patients go home sooner, burn victims recover faster and broken bones or ulcers mend more quickly.

Growth factors are normally released by the body at a wound site. Amgen has developed a way to produce large amounts in the laboratory. Animal tests indicate that by applying growth factors to a wound, perhaps in ointment form, healing can be accelerated.

Cells built for transplants

Another "hot" company in the biotech field is Bana Biologics of Alameda, California. The company has perfected a method of cloning human cells from donated foetal organs. These laboratory-grown cells could be used, the company believes, as transplants to replace cells that have been damaged by disease.

The major focus of work to date has been insulin producing "islet" cells of the pancreas.

While attempts to transplant live cells from human donors have proven problematic due to rejection, Hana Biologics believes that its laboratory-grown purified cells will not be rejected by the body and has recently begun human clinical trials. Cell transplantation also shows promise as a cure for Parkinson's disease, which results when a specific type of brain cell malfunctions and stops producing dopamine.

Last week the company also announced that it has begun a research programme to apply its cell transplant technology to the treatment of haemophilia. The researchers aim to demonstrate that the transplantation of specific liver cells (hepatocytes) can reverse haemophilia by producing proper levels of blood clotting proteins.

Time to put up or shut up

As these and other US biotech companies begin to launch significant new drugs, the pressure is building upon the entire industry to make

Fresh blood and new heart

WHAT WE ARE SEEKING, DRUGMAKER, IS NO LESS THAN THE KEY TO FREE MANKIND FROM THE SHACKLES OF DISEASE. OR, PUT ANOTHER WAY, A LICENCE TO PRINT MONEY.



the leap from promiaes to products.

"Expect a shakeout, in the next year, of firms that have run out of time and money," warns David MacCallum, director of health care research at Hambrecht & Quist, the San Francisco investment bank.

He predicts that 20 to 30 per cent of the 110 publicly traded US biotech companies will either fail or be taken over in the next 12 months.

"Since the stock market crash last October, biotech firms that don't have products have been unable to raise funds," he explains.

Sticking to delivery times

"Take four times a day," the doctor says, but will the patient remember? All too often, prescription medicines are not taken correctly, especially if frequent doses are required. Even when the patient does follow the doctor's instructions, the amount of medicine in his bloodstream may be well above or below the ideal level, depending upon how long it is since his last dose.

To address these and other problems associated with drug delivery, Alza Corporation of Palo Alto, California, has developed a range of innovative systems for ensuring a constant dosage of medicine over extended periods.

Among the company's best known products are "time release" appetite suppressant capsules used by dieters and those band-aid like stickers that travellers wear behind the ear to avoid motion sickness.

Recently, Alza has developed important new applications of its methods of providing constant controlled doses of medication. The latest is Volmax, a controlled release form of the widely used asthma drug salbutamol which was launched in the UK this month by Glaxo.

Like the dieter's pills, Volmax tablets work on the principle of osmosis. The drug is coated with a semi-permeable membrane through which a tiny hole is drilled by a laser. Water is drawn into the tablet by osmosis, forcing the drug out through the hole in a steady stream.

A new application for Alza's transdermal patch currently under consideration by the US Food and Drug Administration could provide pain relief for cancer patients and those recovering from major surgery.

A patch has been designed to deliver fentanyl (a pain killer similar to morphine but almost 100 times more potent) over a 24-hour period. Currently, the drug is available only in injectable form and is used primarily for anaesthesia because its effects wear off very quickly in that form.

Administered through a transdermal patch, however, the drug's pain-relieving qualities can be prolonged, providing a valuable new treatment for chronic pain, as well as sparing patients the discomfort of frequent morphine injections.

Alza's transdermal patch is essentially a tiny reservoir of medicine that is stuck on the patient's skin. A rate-controlling membrane regulates the flow of medicine over a period of days or hours. Transdermal patches are widely used to administer nitroglycerin for heart patients and in hormone replacement therapy for post-menopausal women.

THIS TRANSDERMAL PATCH WILL RELEASE MEDICATION OVER A 48-HOUR PERIOD, PREVENTING YOU BORING PEOPLE WITH DETAILS OF YOUR ILLNESS



Hard at work in the medical school

Putting the products of biotech to work is largely the purview of teaching hospitals. Last week the University of Southern California medical school described results that it has achieved in the diagnosis of cervical cancer using laboratory techniques developed by Cetus, one of the major US genetic engineering companies.

The medical researchers are using a gene cloning technique developed by Cetus that enables them quickly to produce hundreds of thousands of copies of patients' sample cells. The reproduction makes it easier to identify cells that have been infected by a virus.

The USC researchers have been the first to report the application of this technology to the detection of viruses that are linked to the development of cervical cancer. Until now, the "human papilloma virus" has been difficult to detect, explains Dr John Martin, a pathology professor at the USC School of Medicine.

Conventional medical laboratory testing methods have failed to provide a reliable test for the virus. "With conventional techniques, the initial stages of infection have been difficult to pinpoint and the progression of early infections to cancer development has been difficult to follow," says Dr Martin.

The USC work could lead to a simple and highly sensitive test for the human papilloma virus. Although there is currently no specific treatment available for this virus, early detection would alert doctors to the potential danger of cervical cancer and the need for frequent follow-up exams.

Oxford sets fashion in designer genes

BY DAVID FISHLOCK, SCIENCE EDITOR

A NEW laboratory near Oxford, opened only last year, is doing brisk business in tailor-made genes for genetic engineers in the US and west.

Income from their designer genes could reach \$360,000 in the first year of trading, and Martin is forecasting \$3m a year within three years.

British Biotechnology claims to make genes more quickly and more accurately than anyone else in the reagent business. Ironically enough, Monsanto - which sold Searle's know-how - is one of the company's most valued customers, says Richards.

He adds that British Biotechnology is selling to scientists who didn't know that they needed our genes.

Molecular biologists are only just catching on to the merits of buying genes off the shelf as if they were laboratory chemicals.

They needed our genes. Molecular biologists are only just catching on to the merits of buying genes off the shelf as if they were laboratory chemicals.

Richard, a molecular biologist and former head of G.D.Searle's bioscience in Britain - now sold to Monsanto - started British Biotechnology a year ago, in partnership with Keith McCallagh, previously his research director. They aimed from the start to combine contract research for specific sponsors on some ambitious, long-range targets in health care, with some high-value biotechnology products that might quickly put their venture in profit and facilitate rapid laboratory expansion.

From the start one idea was to use skills and technology in gene synthesis, originally developed for Searle. Richards says progress has been faster than they ever forecast because of their success in

identifying genes they can sell, in a field where several US biotechnology ventures had a head start.

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for comparison with a natural gene. In both roles, the designer gene is proving a very important piece of enabling technology for the genetic engineer, Richards claims.

His company's production line is a small back-room laboratory equipped with gene synthesizers developed in Searle's research laboratories at High Wycombe - now closed - but refined and now running more reliably, says Richards. From receipt of an order, it takes about six weeks to assemble, finish and package a gene.

Although scientists sometimes balk at his prices they have come to respect the company's ability to meet a deadline when they themselves may have previously failed to make the gene, says Martin. Genes from 500-2,000 base pairs can be rapidly and routinely assembled, says Mark Edwards, head of molecular biology.

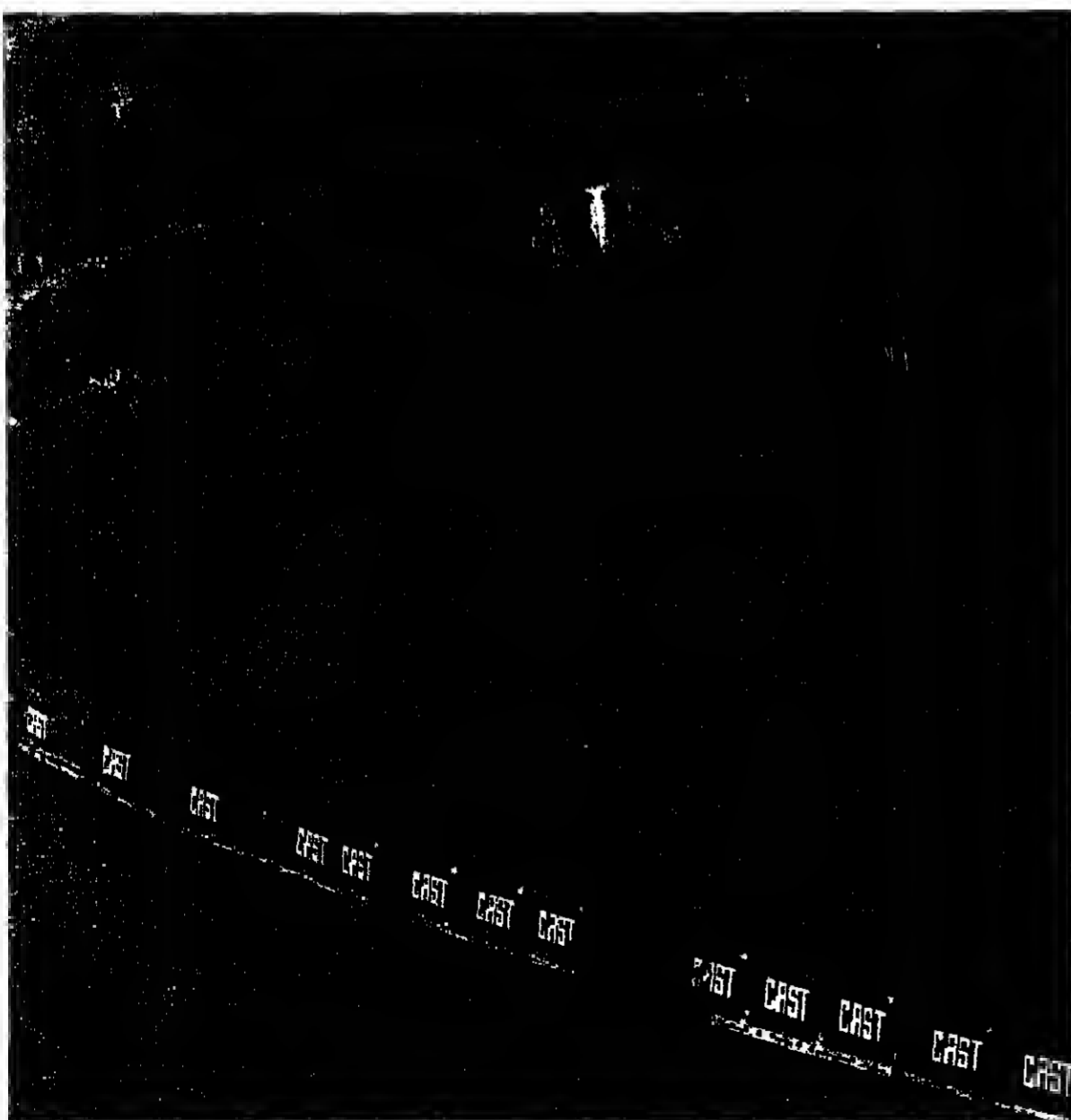
There are two strategies for gene assembly. Both build whole genes from synthetic oligomers of units of up to 150-200 base pairs.

In one, the oligomers are first "phased" or treated to provide the necessary phosphate group, then annealed to their complementary partner to make double-stranded oligomers with short single-stranded extensions known by genetic engineers as "sticky ends".

Then the assembly is fully cloned into a suitable living organism - bacteriophage or plasmid vector. Genes for alpha-interferon and bovine rhodopsin are among the bigger ones made in this way.

The second assembly strategy minimises the amount of oligomer synthesis required. Endless variations are possible on the two themes, says Edwards. The assembly strategy favoured by British Biotechnology uses oligomers of 50-80 base pairs with sticky ends of 5-7 base pairs. The company has developed computer software which minimises mistakes - illegitimate pairings - and maximises speed of assembly.

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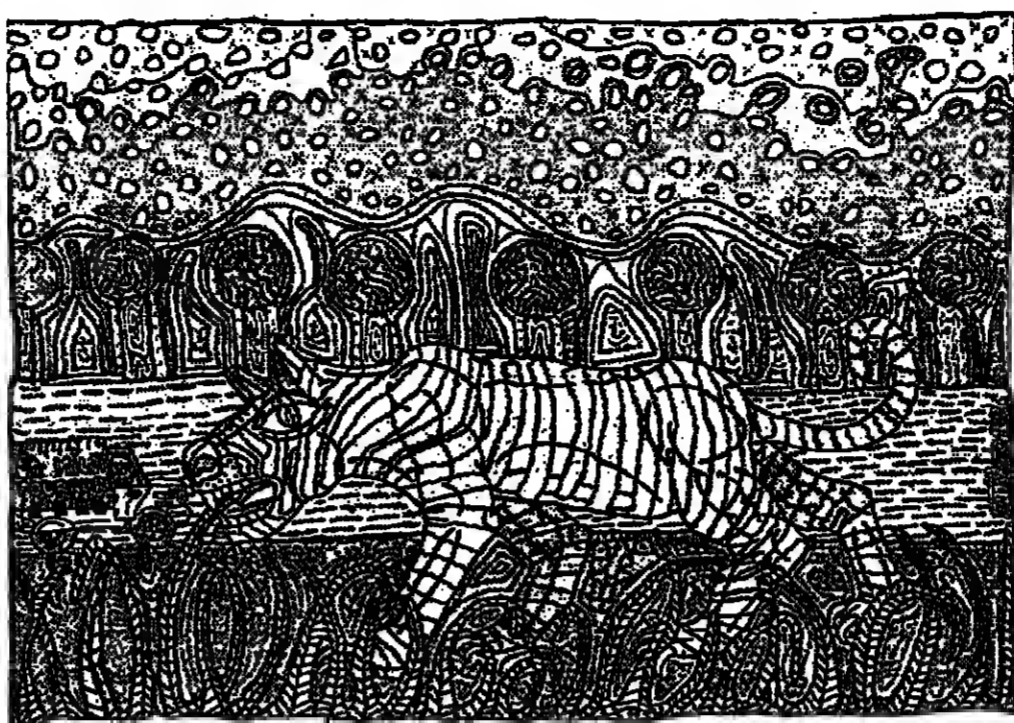
ARTS

London Galleries/William Packer

Contemporary artists of proven performance

A private dealer newly setting out to sell contemporary art to the public, though deserving every sympathy, is nonetheless wished to be welcomed and wished the best of luck...

work does not derive its calm, mature authority from the privileged, secluded process by which the artist has conducted himself in his own time, on his own terms?



"Le tigre mangeur de camion," 1986, by Robert Combas

sonal in his predicament. In the end he gave up altogether, and it was several years before he started to draw again, and then to paint. But he seems to be going full blast now, if the physical scale of the work, and the vigour of its execution, are at all reliable indicators...

and mask-like head, for example, treated with seemingly perfunctory speed, in fact is drawn and modelled with scrupulous delicacy, almost old-fashioned facility: we can take his point.

primitivism, inviting but not always winning the sophisticated double-take. The others are both more straightforward and more surprising. Philippe Favier is perhaps a shade overprecious with his enamel still-life painted jewel-like on sheets of glass, but intriguing nonetheless...



"Megalithe," 1987, by Loïc le Groumellec

Whether it is natural or acquired, however, any such facility brings with it problems that are not lightly discounted. This question is central to any consideration of the work of Patrick Graham, an Irish painter also in mid-career and well into his forties. Indeed he raises it himself in a introductory note to the exhibition of his latest work, 'Bring Flowers: Bring Candles, now at Fischer Fine Art (30 King Street SW1, in association with the Hendriks Gallery of Dublin: until March 4).

David Hockney's 'Tristan und Isolde'

Every American town of any pretension had its own opera company (even if it put only two or three productions a year) except, until recently, Los Angeles, which depended on visits from the San Francisco Opera and latterly the New York City Opera. Various local endeavours flourished until last year, the Los Angeles Music Center Opera came into being...

visual aspect was this a distinguished Tristan? The Vari-Lite system made a noise; in Act 3 one had to pretend that Atlantic surge below the cliff accompanied the shepherd's piping. Jonathan Miller was named as producer, but there was little evidence of any clear production. No production is preferable to quirkies, provided the singers know what they are about.

Andrew Porter reports from Los Angeles on a production which should become a visual landmark in the opera's performance history. Hockney's 'Isle and Fists' for Glyndebourne used painted scenery. He has designed Tristan in three dimensions and has painted his sets with both paint and light - using a new system, the Vari-Lite 200, devised for rock

actors trained in eloquent rhythmic movement. The Los Angeles principals shine out in richly coloured costumes. Act 1 has Isolde in rich red, Tristan in blue, and Brangäne in brilliant green. Hockney starts where Wagner did, with medieval romance - a Celtic ship, a picture-book castle, a Celtic-forested forest - and moves, with the music, into the deeper, stranger drama. It must be added that only in the

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Gloriana/Sadler's Wells

Clement Crisp. The ballet suffered further in that the scale of incidents appeared far less theatrically effective. The distinctions between the courtly dances and the more intimate feelings of Elizabeth and Essex were lost, the action looked higger-mugger, insecure. The fault is not the choreographer's, nor the company's, but the theatre's, and I hope that all those, whether private or corporate benefactors, who value the Wells as a house with a real sense of drama, will rally to the cause of making the stage a fit place for something more than chamber ballet. The Wells' history is too important, its achievement since 1981 too glorious, for it not to be a fitting theatre for future generations.

Le Public/Théâtre de la Colline

Michael Coveney. Just opened in Paris is a splendid new theatre, constructed on the site of the old Théâtre de l'Est Parisien (TEP) in the rue Malte-Brun. Under the direction of the Argentinian Jorge Lavelli, this latest addition to the city's generously-funded national theatres is dedicated to the 20th century repertoire. It would be hard to think of a lost piece by a great dramatist more worth presenting than Lorca's El Público. This is the French premiere. It goes without saying we have not seen it in England.

Denorah Varsi/Wigmore Hall

David Murray. Who can remember when they last heard a pianist play Rameau? These days it would seem positively daring, even reckless, as if it was reassuring to find, as Dnorah Varsi began her recital on Sunday with four of his clavecin pieces, that she does it with great flair. 'La Joconde' was delightfully fluent, without prejudice to rhythmic energy or lucid part-playing. There was plenty of delicate feeling - and a lot of unashamed modern pedal in 'Les tendres plaintes.' With so much pedal-haze 'La rappede des oiseaux' took an impressionist step toward Ravel, but Miss Varsi kept it crisp and shapely; only 'Les trois mains,' a tricky cross-handed piece, failed to translate well to the modern instrument.

January 15-21. Chamber Music Society of Lincoln Center. (874 2424).

NEW YORK. Chamber Music Society of Lincoln Center. (874 2424).

WASHINGTON. National Symphony, Giuseppe Sinopoli conducting. Salvatore Accardo violin, Verdi, Mendelssohn, Brahms, Liszt, Prokofiev, Nielsen, Shostakovich (Thu), Concert Hall, Kennedy Center (254 3776).

CHICAGO. Chicago Symphony (Orchestra Hall): Hugh Wolff conducting, Earl Wild piano, Barber, A. Rubinstein, Berlioz (Thu), (485 8111).

Advertisement for Saleroom/Antony Thorncroft, featuring the text 'Chinese pictures popular' and 'The saving graces of the art market at the moment are that one, it is so international, and two, it can ride out a slump, or at least a slight slump. London is an extended leave in January...' and contact information.

FINANCIAL TIMES

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Tuesday January 19 1988

The taxation of marriage

AN OVERHAUL of the rules governing British taxation of husband and wife is expected to be a feature of Mr Nigel Lawson's budget on March 15. Reform is certainly overdue; despite two consultative papers this decade, legislation continues to treat women as chattels and anomalously allows couples where both spouses work to claim the equivalent of two-and-a-half single allowances.

A minimum requirement of reform is that husbands and wives be put on an equal footing. Equality of treatment, however, leaves two fundamental issues unresolved. Should spouses be jointly responsible for their joint tax liabilities or separately responsible for their individual liabilities? In the case of individual responsibility, should allowances be fully or partially transferable between marriage partners?

Present law regards husband and wife as a unit; this is why their income is usually aggregated. The joint approach makes sense, especially in the treatment of investment income. It is not really sensible to pretend that one partner is richer than the other, poor divorcees, after all, do not accept paper titles to assets as a determinant of spouses' true rights and responsibilities.

However, as the Institute for Fiscal Studies argues, "there now seems to be a consensus that the way forward is to end completely the present system of aggregation." Changes, such as the wife's earnings election, already point in the direction of taxing spouses solely on their own income, whatever its source. In 1986, Mr Lawson proposed separate taxation of investment income, accepting that the likely rearrangement of assets could lead to a loss of revenue. Independent taxation of spouses is somewhat artificial, but it at least guarantees wives full privacy and independence; it also avoids the inequity of making spouses responsible for their partners' actions, which are often beyond their control.

Favoured option

A shift towards individual taxation, including investment income, seems virtually inevitable. The controversial question is whether, and to what extent, spouses should be able to transfer allowances between themselves. Under full transferability (Mr Lawson's favoured option in 1986), a married couple

would get two single allowances regardless of whether one or both partners went out to work. This would pull some one-earner families out of taxation altogether. It would also ease financial pressures when women give up work to have children.

Full transferability, however, has many drawbacks, as the 1986 debate recognised. The principles of privacy and independence would be undermined. The husband's tax office would need to know every detail of his wife's earnings, even down to odd jobs in order to calculate his allowance. In practice, wives would have a strong incentive not to leave the home; a married woman's contribution to family income would be taxed at her husband's marginal rate from the very first pound she earned.

Poverty trap
Most important, perhaps, transferability would represent an extremely costly and ill-targeted use of resources. Why give all couples two allowances regardless of the reason why one spouse stays in the home? Why allow non-working women to bring tax allowances to the marriage as dowries? The Chancellor should surely restrict the use of allowances, in the interests of broadening the tax base, and bringing down rates. Particular problems, such as the poverty trap and the burden of child rearing, are more efficiently tackled through the social security system.

There seems, therefore, a strong case for the introduction of equal, but non-transferable allowances. According to the IFS, at the same total cost as full transferability, the introduction of non-transferable allowances could be accompanied by: 2p off the basic rate, a rise in child benefit to £12, and substantial increases in supplementary and unemployment benefits. Non-transferable allowances would free resources to help the really disadvantaged.

In the face of these arguments, Mr Lawson seems likely to opt for a compromise - partially transferable allowances. This move of a reform would cause little offence, because it would leave most households' tax liabilities unchanged. The bolder course would be to take the logic of base-broadening seriously and plump for the administrative simplicity and economic efficiency of equal but non-transferable allowances. end

Time to restart peace process

IN THE second half of last year, it became the received international wisdom that nothing could or should be done to relaunch the Arab-Israeli peace process until after the 1988 elections in the US and Israel.

Efforts to establish an international conference on the Middle East had run aground. The Israeli political system was paralysed and paralysed. The Reagan Administration considered its hands to be tied as a result, and electoral politics were likely to preclude any new initiatives.

future status is to be settled by negotiation, thus ducking the questions raised by their progressive integration into the Israeli economy.

The international community - and the US in particular - is at least partly to blame for the fact that these questions have not been posed with sufficient clarity over the past year. Last spring, there appeared to be a real prospect that a conference could be convened. Mr Peres had an outline agreement with the US and King Hussein on the structure of such a gathering.

THE BID FOR SOCIETE GENERALE

The grand design of Mr De Benedetti

By Tim Dickson, Paul Betts and Alan Friedman

MR CARLO DE BENEDETTI has forced Societe Generale to try to make more sense out of and provide more direction for what is by any standards a motley collection of activities.

The arrival on the board in late 1984 of Viscount Etienne Davignon, the man best known as architect of the European Commission's steel restructuring plan, was seen as opening a new chapter in the company's fortunes - one that would give new impetus to the company's strategy of diversifying its range of activities and its shareholder base.

Viscount Davignon's international contacts and aristocratic Belgian connections - an essential requirement for dealing with the local business establishment - have helped inspire a number of recent deals. Among them are an aircraft leasing venture with the Sumitomo Group of Japan and the French company Indosuez, involvement in the break up of ITT's European telecommunications businesses through a stake in Alcatel, and participation with Dutch interests in rubber and oil trading activities.

New international shareholders were acquired last autumn through the issue of new shares to (among others) the Lazard group and Artois-Piedboeuf. At that time, Mr De Benedetti Paris holding company, Cerus, had disclosed a 1 per cent interest, and appeared to be playing the role of a friend of the management.

Mr De Benedetti says, indeed, that it was only very recently that he decided to move into Societe Generale. "You may not believe it, but we took the decision only this month," he said yesterday.

The seeds of the operation were sown in December, when the aggressive French financial services firm Dumenil-Leble approached Mr De Benedetti. Dumenil-Leble, which has grown rapidly from its beginnings as a bond broker, was anxious to strengthen its balance sheet. It also wanted to put a chunk of its shares into friendly hands, to avoid the risk of a takeover while its share price was depressed after October's stock market crash.

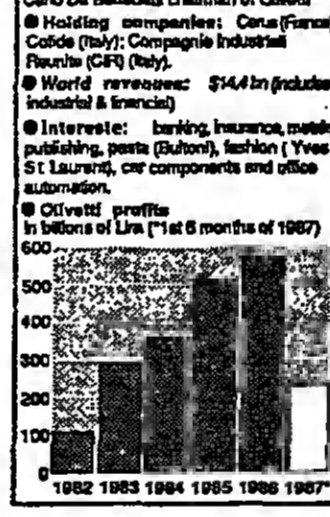
Dumenil-Leble, and plans to raise that to 25 per cent by injecting FFr 750m. Mr De Benedetti and Alain Minc, Cerus's managing director, started to plot a joint move on Societe Generale with Dumenil. Between them, they acquired during the last few days the bulk of the 18.8 per cent stake in Societe Generale - Dumenil-Leble building up its shareholding in the Belgian group to 10.8 per cent and Cerus to 7.8 per cent.

Mr De Benedetti gave few details of his plans for Societe Generale. He said there were a number of lame ducks in the Belgian company but that its management had already started a process of restructuring. He also suggested that Societe Generale had a problem with the size of its average holdings. But otherwise, he confined himself to reassuring generalities. "I am not a corporate raider but a corporate builder," he said. "My aim is to bring something to Societe Generale and not take anything away."

Mr De Benedetti added that nationalistic sentiment against his entry into Societe Generale was perfectly understandable. "But I think it is less justified in a country like Belgium which is the seat of the Community." Belgium was likely to become the centre of the Community in 1992, he argued, and it was in the interest of Belgium to see a new major European holding company based in the country.

For Mr De Benedetti, the stalking of Societe Generale

The De Benedetti empire



Societe Generale



integration with others difficult. He should be more careful in the formal aspects of his duty, fundamentally in his way of expressing himself.

His strong will brought him immediately into conflict with his superiors when he arrived in the Falkland Islands on May 27 1982, and demanded to be sent into combat instead of carrying out vital reconnaissance duties for which his 60-man commando unit was well equipped. He was later fiercely to criticise his commanding officers during the war, when he led the last Easter's uprising in the Campo de Mayo infantry school in Buenos Aires and which resulted in half of the army's chiefs of staff and unit commanders being sacked after they refused to put down Rico's rebellion.

Since then he has continued to spitfire within the armed forces for changes in the high command, despite being held under house arrest until his flight to the Monte Caseros garrison at the weekend where he is now leading the new rebellion.

His principal demand is that the army's strategy of eliminating over 9,000 political militants during the "dirty war" of the 1976-83 military dictatorship, be recognised as a necessary, and indeed a glorious victory, with the implication that those responsible should be honoured rather than imprisoned. It looks like the thick end of the wedge.

Sri Lanka's big loss

MR Sri Lanka has lost its most reliable lifeline. Rommie De Mel, the Communist Party's, possibly the world's, longest-serving Finance Minister has finally quit as the island sinks deeper into civil division, intransigence and debt.

If Sri Lanka has managed to stay afloat as the four-year-old conflict between the Sinhalese majority and the Tamils worsened, it is largely because he persuaded the International Financial Community that someone in Colombo someone was working on a political solution. He apparently no longer believes that to be the case.

OBSERVER

ing. He said that he thought it would be preferable if the Government should try to tell back-benchers what to do on such matters. He has been told to report to David Waddington, the Chief Whip, today and intends to say much the same thing.

He claims that after the vote at least three of his fellow Tory new Members told him that they wished they had gone along with him. The main constraint was the other Tory rebels. "It's distasteful enough," says Devlin, "to vote in the same lobby as Tony Benn and Diane Abbot, both left-wing Labour MPs, but for a new Tory to vote with Ian Gilmour and Ted Heath really takes courage."

First of many

Lord Carrington will be returning to an old stomping ground when he relinquishes his post as Nato Secretary General in the spring. He has accepted the chairmanship of Australia and New Zealand Banking Group's International Board of Advice, an economic think tank that meets about once a year. Lord Carrington was chairman of ANZ bank from 1967 to 1970 and chairman of the group from 1969 to 1970. No doubt, however, there is much more to come.

The Listening Party



"We're now the listening party - except John Prescott, of course."

New Tory rebel

Only two new Tory MPs voted against the Government in the Official Secrets debate last Friday. One was Rupert Allason, the Member for Torbay, who has a special interest in the subject and whose defection was not surprising.

Streetwise!

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Human rights still denied

From Dr Steve McGiffen.
 Sir, Your article on relations between the European Community and Turkey fails to note the attitude of the European Parliament. This is a serious omission, for although the Parliament has few real powers, under the Single European Act it does have the power to block trade agreements with third countries, and to refuse membership applications.

The policy of the European Parliament in relation to Turkey is clearly stated in its resolution of December 1986. Although some improvement in the human rights situation is discernible since then, the restrictions on trade, union rights, detention of large numbers of political prisoners, absence of the right to a fair trial, and restrictions of free political activity to which this resolution refers are all continuing. Considerable evidence points also to the persistence of the same practices, torture and denial of basic public rights and dignities to prisoners of conscience.

In addition to these domestic issues Turkey continues its illegal occupation of part of Cyprus.

The Parliament has not seen sufficient progress to persuade it to amend its position, which remains unchanged in the resolution. "That the European Community is not yet justified in fully normalising its relations with Turkey." This position has been underlined by two recent resolutions.

In November, a resolution was passed condemning the detention of two Turkish communists who returned to their country to organise a legal party and to work with the communist parties in all of the current member states - to a peaceful road to their version of socialism. A month later, members of the European Parliament declined to ratify a trade protocol with Turkey as a protest over the same issue.

The European Community is a voluntary association rooted in treaties between democratic states. The admission of Turkey into any form of close arrangement with the EC would serve to give the seal of approval to a regime which continues to use systematic violence against its opponents, to rely on the threat of a further military coup to bolster support amongst a frightened populace, and to lay claim to a foreign nation's territory by force of arms. By pointing among all this damning evidence to the necessity of a referendum and election (from which many parties were excluded) as "proof" of a return to democracy, we produce a novel, minimalist definition of that concept - we are governed by leaders who are elected, such distortions, then our democratic systems must themselves be at risk.

Steve McGiffen,
 24 B&B Terrace,
 Whitley, Yorkshire

Letters to the Editor

The case for VAT on credit cards

From The Vice President, Corporate External Affairs, American Express Europe Ltd.
 Sir, Professor Sandford "A unique chance for reform" (January 12) asserts that "housing and financial services are very difficult to include within VAT". I would contest this both in respect of experience elsewhere in the EC, and in particular, in respect of VAT on credit and charge cards, one part of the financial services industry which has actually lobbied to be taxed.

Credit and charge card issuers were lumped in with the rest of the financial services industry and given VAT exempt status some time ago in the UK. Card issuers have persistently made representations to be allowed to exercise the option to be taxed, granted by the Sixth Directive, but to no avail. Simply stated, the Sixth Directive currently offers Member States the possibility to grant taxable persons the right to opt for the taxation of banking and financial services. The German government currently grants this right of option in respect of financial services generally when provided to taxable enterprises and shows every prospect of continuing to do so. France and Belgium have similar provisions to grant taxable persons the right to opt for the taxation of banking and financial services. The effect of enforced exemption in the UK and elsewhere is to prevent banks and financial institutions recovering their input tax in respect of their supplies (eg printing and advertising) and to create the situation where this becomes a hidden tax. Such a hidden tax becomes an additional cost factor in the final supply and also inflates the amount of VAT which the consumer finally has to pay (ie he pays tax on tax), which is contrary to the aims of the EC, and, presumably, the British Government. The EC has contended that the VAT system should be economically neutral so far as the business community is concerned and such economic neutrality can only be achieved by minimising, if not eliminating, exemptions on intermediate transactions.

It seems ironic that on page one of the same issue you feature the rapid growth of consumer borrowing - "largely financed by credit card loans." Here is one area where an industry is anxious to be taxed, there are no political sacred cows, and the Chancellor could effect a modest break on consumer credit without pain, complying with the aims of the EC as ratified by Mrs Thatcher. Why wait, Mr Lawson?

Julian Oliver,
 Vice President,
 Corporate External Affairs,
 American Express Europe Limited,
 Governmental Affairs Office,
 Windsor House,
 50 Victoria Street,
 London SW1



People can choose to watch or not

From Mr Peter Browning.
 Sir, Once again, thanks to the Channel 4 network for putting most powerfully on the air for grown-up television (January 6). It needs to be pointed out constantly that whereas the depiction of even remotely explicit sex brings loud protests from a sensible society, the repeated showing of murder, violence and blood-letting is, for the most part, deemed acceptable.

"The wide" point, as Mr Dunkley argues, is that the choice of

Aim was to make a capital profit

From Mr Tim Yeo MP.
 Sir, Recent comment on the role of the Bank of England in supporting the dollar prompts me to draw attention to the only public advice I have ever offered the Chancellor on this subject, which was in a letter published by your newspaper in February 1986.

At that time the value of the pound was under \$1.10, and the British Government had about \$40bn of quoted debt with repayment dates after 1996. Confident that at some time between 1995 and 1996 the pound would be substantially higher against the dollar, I advocated switching the whole of this long term debt into dollar denominated bonds, which could have then been effected without any interest rate penalty. The aim of this transaction would have been to make a capital profit of about \$8bn.

Reversing this switch today at about \$1.80 to the pound would yield a capital profit of more than \$15bn - more than the total proceeds of the privatisation programme during the intervening three years.

The conclusion I draw from this is that while short term speculation in any financial market is extremely hazardous, even for central banks, taking a long term view is easier and potentially more profitable.

Rather than engaging in temporary currency support operations of doubtful value and uncertain outcome, perhaps the Bank of England and the Treasury should consider ways of exploiting long term movements in the value of the pound. At times like the present, when the future long term direction of the sterling dollar rate is hard to predict, our interest might best be served by remaining out of the market.

Tim Yeo,
 House of Commons,
 Westminster, SW1

A difficult path to tread

From Mr P.A. Temperton.
 Sir, F.A. Dixon's "Word Problem" (January 6) requests assistance in finding a name for the activity of hiring people to re-establish their careers.

Some years ago British Airways formed a cabin staff, hired when their children were no longer dependent, identified themselves as "Re-Treads", and were proud to do so.

On a serious note, because the very real doubts which lay behind the Alliance's formal endorsement of the double zero agreement, to eliminate all ground-launched medium-range missiles, must be squarely faced.

The hard facts are that West Germany, Britain and France did not, in the first instance, want the agreement to extend to all nuclear missiles with ranges between 500km and 1,000km; and Bonn was hauled kicking and screaming into the "eyes" lobby only after a damaging debate between the two coalition partners. If, finally, all Washington's European allies



FOREIGN AFFAIRS

Nato policy is ripe for review

As the Geneva negotiations on cuts in strategic nuclear weapons resume, the arms control and defence strategy debate in the West is, more than ever, being conducted by governments on two levels: the public megaphone and the behind-the-hand whisper. With this in mind, it is an instructive exercise to examine one or two of the post-summit shibboleths that are being hawked around the Nato circuit.

The No 1 hit for many weeks, "We all supported the INF agreement", which the Anglo-American duo of Sir Geoffrey Howe and Mr George Shultz have made the theme song of every arms control performance they have given since the summit, has slipped back. It has been replaced by a variant with an equally unglaring title: "Nato strategy remains unchanged after INF".

The first proposition was no more than a romantic gloss on the real situation. That is, after all, what pop songs are supposed to be. Yet if the debate about arms control and Western defence strategy is to be conducted constructively, the very real doubts which lay behind the Alliance's formal endorsement of the double zero agreement, to eliminate all ground-launched medium-range missiles, must be squarely faced.

The hard facts are that West Germany, Britain and France did not, in the first instance, want the agreement to extend to all nuclear missiles with ranges between 500km and 1,000km; and Bonn was hauled kicking and screaming into the "eyes" lobby only after a damaging debate between the two coalition partners. If, finally, all Washington's European allies

Robert Mauthner examines the discord within the Western Alliance over nuclear weapons

French governments stress that such talks must wait until negotiations on both strategic nuclear weapons (Start) and conventional and chemical arms have been completed.

The US administration is less outspoken. "Behind the hand", however, one is told that there is no chance of Washington supporting negotiations on short-range nuclear missiles until the proposed Start reductions have been fully implemented.

Does this indicate that at least the US, Britain and France are on the same strategic wavelength? With a US presidential election on the horizon, a clear answer cannot be given. Yet it should not be forgotten that President Reagan, in common with Mr Gorbachev, has made complete nuclear disarmament his ultimate objective, a concept which Britain and France totally reject. What happens after he leaves the White House is anybody's guess.

Transport which uses the Thames

From the Chief Executive (River) Port of London Authority.
 Sir, The various reports in the press recently about a proposal to build a motorway tunnel along the Thames were both interesting and news to me.

As the owner of the river bed along which a roadway might be laid and the body responsible for navigation and licensing on the tidal Thames from Teddington to the sea it is surprising that the Port of London Authority has not been consulted about the feasibility of such a proposal even at this early stage. That aside, the report does provide me with the opportunity to remind your readers that London is about to see the start of a new public transport system using the River Thames Highway when the Thames River Bus, to be

operated by Thames Line Plc, starts its service during 1988.

D J Jeffery,
 Port of London Authority,
 Europa House,
 World Trade Centre, E1

Extra on roads will mean cuts

From Mr Paul Harford.
 Sir, I feel obliged to put on record the Association's dismay at the comments made by Mr Channon, Secretary of State for Transport, on the Chancellor of the Exchequer's Autumn statement. The arguments are not new. They have been discussed several times in the last two years between Ministers and the Association's representatives - of all political parties.

In a narrow, technical sense Mr Channon is right that the

Government is now "providing" for higher current expenditure on local roads than local highways authorities are actually spending on them. In 1988-89 we are expecting to budget for £1.13bn for road maintenance, 12 per cent below the Government's "provision".

However, as we have pointed out to Mr Channon and his officials many times, the extra sums allocated for this purpose over the last couple of years have not been accompanied by any increase in real terms in the total grant paid to us by the Government, nor in the total amounts which the Government is prepared to see local authorities spending on all their services. It is not a matter of the Government having provided more money for us to spend on roads, and us having spent it on something else instead. There is no more money available.

If we spend more on our roads we must either cut other services - education, police, social services, the fire brigade

Environmental impact of opencast mining can outweigh its profits

From Mr Malcolm Brockleby.
 Sir, Mr Emery's article (December 21) demonstrates with frightening clarity the threat to the British countryside from opencast coal-mining. In it he says that opencast is "one of the few industrial processes which leads to no permanent loss of countryside". Now or why he should make such a statement is difficult to comprehend.

Opencast is one of the most environmentally destructive processes being carried out in the UK. This is not only the view of the Council for the Protection of Rural England. It is the considered opinion of the House of Commons Select Committee on Energy.

The Flowers Commission on Energy and the Environment

carried out the most detailed study so far of the effects of opencast. It concluded that "there is limited scope for restricting the detrimental environmental effects of opencast mining, both in terms of their impact on the surrounding neighbourhood and of the longer term implications for the quality of agricultural land and rural landscape." It recommends that as old pits were replaced by new deep mining capacity, the volume of opencast should be allowed to fall below 15 metres because "the uniquely sensitive character of the British countryside would not be able to accommodate, without unwarrantable damage, a target in excess of that level."

Mr Emery points out that Opencast can improve derelict

land. The CPRE acknowledges this and to the best of my knowledge has never opposed such an application. But, at the current rate of extraction, opencast is taking an area of land the size of Bedfordshire every 30 years and the NCB seeking to increase this by 50 per cent. This will inevitably result in an increasing proportion of extraction from mature rural areas which are just restored to their original state.

As Director General of the Federation of Civil Engineering Contractors, it is reasonable to assume that Mr Emery's statement represents the state of knowledge of the Federation's members or their attitude towards their environmental responsibilities. Either alternative bodies III for the British

Cardiff is an important industrial and artistic centre and ideal for the Patent Office

From Mr Colin Adlam.
 Sir, Iain Baillie (Letters, January 6) is wrong to condemn the suggested relocation of the Patent Office from London to Cardiff.

He states that his staff and clients need almost constant access to the Patent Office. Lawyers, accountants, bankers and journalists require daily access to Companies House and the Business Statistics Office, both of which are located in South Wales. Companies House still operates a small office in London, but it has achieved big savings in its operating costs since moving to Wales in 1976. Money has been saved and users' requirements efficiently satisfied.

The Royal Mint moved to

Wales in the late 1960s and trades with countries all over the world. Many of its customers visit Wales, without difficulty or added expense.

While we do not yet know exactly how the Patent Office will operate if and when it moves to Cardiff, there is little doubt that it will adopt all the advanced communication technologies of "fax", electronic mail and on-line computer. From Cardiff the Patent Office will be able to talk to the world and the world to talk back. The minds of the inventors and innovators have made it possible to have the office in Cardiff and ensure an improved service to all concerned.

Cardiff is in no way remote from the decision-making cen-

tres of Britain. It is, in fact, an important centre of government, broadcasting, industry, the arts and commerce. By train from London takes just an hour and 45 minutes; by road the M4 runs from Cardiff straight into London. It is often quicker to get from Cardiff to Heathrow than it is to get there from Kent.

Our international manufacturing businesses know that Wales presents few communications problems. Ask Sony or Ford. There is now a daily flight between Glasgow and Cardiff for those coming from north of the border.

Mr Baillie should take a lesson from the Trustee Savings Bank, which announced just before Christmas that it had decided to build a large com-

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Showing the way in communications

FERRANTI

SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Tuesday January 19 1988



BRITISH CLEARING BANK TO CUT 240 JOBS

Midland quits UK equity business

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

MIDLAND BANK, one of Britain's main clearing banks, is to pull out of the UK institutional equity business after failing to achieve a profitable market share.

Phoenix Securities, the corporate finance offshoot of Morgan Grenfell, has been asked to find a buyer for the remaining business. However, the chances of a sale are thought to be slim following Greenwell Montagu's turbulent passage through the past 10 months, which brought heavy losses and staff defections and curtailed its activities.

Although Midland will try to transfer as much as possible of its business to Capel, the decision will be left to individual clients. The relationship between Midland Montagu and Capel will be "close but not exclusive" said Mr Rudi Bogal, the chief operating officer.

Capel is also keen to preserve an arm's length relationship out of concern for its existing clients. Midland's action represents a further example of the second thoughts banks are having about their involvement in the securities markets in the light of their difficult post-Bang experiences.

Robins studies three rival bids

By Our New York Staff

THE DIRECTORS OF A.E. Robins began meeting yesterday to consider improved offers from the three international pharmaceutical companies competing fiercely for control of the bankrupt US drugs group.

Sterling Drug rejects bid by Roche as 'inadequate'

BY JAMES BUCHAN IN NEW YORK

STOCK IN Sterling Drug, the diversified New York drugs group, rose sharply yesterday in response to its announcement that talks were under way to sell the group.

Drug would "pursue vigorously" the lawsuit filed against Roche last week, which accuses the Swiss group of insider trading and failing to disclose financial information required by US securities laws.

cent to SFr415.9m, John Wick reports from Zurich. The slight decline in sales reflected the further appreciation of the Swiss franc. The Basle parent company said that in terms of local currencies turnover was up 14 per cent - or 10 per cent after excluding high-inflation countries.

IU rejects increased bid of \$590m

By Our Financial Staff

NEOAX, the US investment group, has rejected a \$590 million bid for all shares of IU International to \$19 per share from \$17.50, valuing the US distribution and environmental services group at \$290m.

NCR and Wang Lab profits rise as Tandem growth slips

BY ROBERT GRAM IN NEW YORK

NCR AND WANG Laboratories yesterday reported higher profits as further evidence of the generally good health of the US computer industry.

Order growth last year was broad-based geographically and by product lines. Although US orders were higher, the strongest growth came from the Pacific. Earnings were boosted by increased sales and lower administration and selling expenses.

Operating cash flow was \$21.1m in the latest quarter, reflecting better asset management and cost control, the company said. Boosted by strong international activity and increased domestic commercial business, orders for products and services rose 13 per cent in the latest period to a record \$861m.

British investor studies steel site

AN INVESTOR group led by Mr Michael Wilkinson, a British businessman, has signed a letter of intent with Wheeling-Pittsburgh Steel to buy portions of the steelmaker's Monaca site.

Bank of Montreal 'far-sighted'

BY ROBERT GIBBENS IN MONTREAL

MEXICO'S PLAN to exchange up to US\$20bn of international bank debt for about US\$10bn of Mexican long-term bonds backed by US Treasury securities could well prove "an exceptionally far-sighted step," Mr William D. Mulholland, chairman of the Bank of Montreal, said yesterday.

International banks burdened by Third World debt, he told the bank's annual meeting. The concept was widely approved, a new instrument for international debt management will have been created and validated by the market.

recently proposed a debt-equity conversion plan to the Brazilian Government. Implementation of this had begun. In fiscal 1987, Bank of Montreal had operating net profits of C\$413m or C\$4.09 per share, up from C\$353m or C\$3.70 a share in fiscal 1986.

Honda to expand Canadian unit

HONDA MOTOR, the Japanese vehicle group, said its Canadian unit would spend C\$80m (US\$62.5m) to expand its Allison plant.

Avon to sell health unit for \$228m

BY OUR FINANCIAL STAFF

AVON PRODUCTS, the US cosmetics and toiletries group, plans to sell its Foster Home Health Care division to Abbey Medical, a wholly owned subsidiary of Vantage Healthcare of Toronto.

of the durable medical equipment and respiratory therapy business and a majority interest in the infusion therapy business, Avon said.

and 3,300 employees in 35 states. Revenues in 1987 were about \$260m. Abbey is the fourth largest US home health care dealer with annual revenues of about \$80m. Based in California, it operates 61 home health care outlets in 26 states.

Olympia & York lifts Abitibi stake

OLYMPIA & York Developments, the Toronto-based property group, has acquired an aggregate of 1.5m common shares of Abitibi-Price, the Canadian newspaper group, and is now the beneficial owner of a 74.8 per cent of the outstanding common.

Banker charged over Sealion deal

BY STEVEN BUTLER IN LONDON

THE SINGAPORE Government yesterday lodged charges against Mr Michael Taylor, the branch manager of Standard Chartered Bank for allegedly providing misleading information during a government inquiry.

and had his passport impounded. The charges were brought by the Criminal Affairs Department of the Ministry of Finance.

Standard Chartered acquired the Sealion shares in 1986, when they were held as collateral for loans to the Malaysian businessman, Mr Yap Yeong Seong.

Elkem doubles stake in Alcoa Nederland

BY KAREN FOSSELI IN OSLO

ELKEM, the financially troubled Norwegian metals group, has increased its stake in Alcoa Nederland from 25 per cent to 50 per cent to gain a stronger foothold in the European Community's aluminium industry.

per cent of its annual aluminium production. Conversely, Alcoa increased its stake in Elkem's Norwegian Mosal aluminium plant by 5 per cent, changing the structure to a 50/50 joint ownership by Elkem and Alcoa. Alcoa will also gain Elkem's 11 per cent share in its UK Alcoa fabrication plant, although the Mosal plant will continue to supply primary aluminium to Alcoa UK at its current annual rate of 45,000 tonnes.

Alcoa Nederland has an annual turnover of NKr1bn (\$162.7m) and comprises a rolling mill and extruding facilities. It produces aluminium profiles, structural members and finished products for the EC building industry.

Kjelland, the company's managing director. Mr Kjelland stepped down from his post following criticism of the group for expanding too strongly into the loss-making ferro-alloys market.

Ford names Trotman as new chief for Europe

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

FORD, the US automotive group, has appointed Mr Alex Trotman chairman and chief executive of Ford of Europe in a series of senior management changes announced yesterday.

Under the leadership of Mr Whipple and Mr Trotman Ford has strengthened the profitability of its European operations and has increased its car sales in West Europe from 1,366m in 1986 to an estimated 1,479m in 1987. It was squeezed out of the number three position in the European sales league by Peugeot last year, however, despite increasing its market share to 12 per cent from 11.7 per cent in 1986.

KNP expects earnings to rise by 43% By Laura Raam in Amsterdam ROYAL DUTCH Paper Mills (KNP), the Dutch paper and board producer, said its earnings for 1987 would surge 43 per cent to Fl 190m (\$100m) from Fl 132.6m the year before.

Advertisement for IMI BANK INTERNATIONAL featuring ECU 100,000,000 8 per cent Guaranteed Notes due 1991. Includes logos for IMI BANK, Credito Lyonnais, Generale Bank, and IBJ International Limited.

January 4, 1988

INTERNATIONAL COMPANIES AND FINANCE

Afbank well ahead despite bad debts

BY JIM JONES IN JOHANNESBURG

AFRICAN BANK (Afbank), the largest South African banking company largely managed by blacks, suffered from an increasing incidence of bad debts in the year to September 30, 1987.

Nevertheless, the disclosed tax profit increased to R530,000 (\$829,000) from the previous year's R58,000 as the bank recovered from the bad publicity surrounding allegations of earlier foreign exchange contraventions. Afbank's staff was augmented by experienced personnel from Trust Bank when these came to light.

Mr Gabry Magomola, the new managing director, says bad debts were especially prevalent in the black sector where most of Afbank's retail lending takes place. Poor demand for credit from acceptable borrowers obliged the bank to reinvest deposits in the corporate sector rather than to make retail loans.

Mr Magomola was appointed managing director in April last year after his predecessor, Mr

Moses Manbane, was dismissed in the wake of the foreign exchange problem. Mr Manbane has since died.

The bank faces court action in February, but Mr Magomola expects its foreign exchange licence to be restored once the case ends.

The alleged contraventions involved a practice known as "round tripping", whereby funds were illegally externalised in commercial banks and used to buy South African shares abroad in financial rands. The shares were then repatriated to South Africa for sale at a profit in commercial rands.

In financial 1987, Afbank deposits increased to R115.5bn from R70.7bn at the end of the previous year. Mr Magomola says the rise was largely due to increases in corporate rather than retail deposits. Advances rose slightly to R124bn at the end of September against R79.4bn a year earlier.

Petronas profits hit by lower crude oil prices

BY WONG SULONG IN KUALA LUMPUR

PETRONAS, the Malaysian national oil corporation, has reported a 34 per cent decline in pre-tax profits to 4.3bn ringgit (US\$1.7bn) for the year ended last March, due to weak oil prices, on turnover down by 24 per cent, to 8.34bn ringgit.

Profits after tax and minority interests were 2.26bn ringgit, 36 per cent lower than last year's 3.53bn ringgit. The results do not include the accounts of the 90 per cent subsidiary, Bank Bumiputra, which is the country's second largest bank.

Raja Mohar Badiozaman, Petronas' outgoing chairman, said that the lower earnings were due to crude oil prices falling to an average of \$13.86 a barrel from \$25.34; revenue from the export of liquefied natural gas also fell because of weaker gas prices.

He said the price of Malay-

sian crude oil was expected to be between \$18 and \$20 a barrel for the current year and that group turnover should increase by 16 per cent. At the end of March last year, Petronas' general reserves had increased from 15bn ringgit to 14bn ringgit while the group's liquid fund investments were valued at 13.4bn ringgit.

Group contributions to federal and state government revenues, in terms of royalties, taxes, export duties and dividends, amounted to 5.5bn ringgit compared with 7.1bn ringgit during 1986-87. Petronas was very successful in attracting new foreign investments in oil exploration and the petrochemical industry.

Gordon Cramb on one of the Tokyo SE's worst performers last year

Shiseido looks beyond the superficial

SHISEIDO, Japan's top cosmetics maker, is putting on a brave face. Its shares were among the worst performers on the Tokyo Stock Exchange last year, falling by a third. While expanding its marketing efforts abroad, the company has suffered from a clogging of inventories at home, a difficulty which has been accompanied by changes both in its management and financial profile.

Last October Shiseido warned that pre-tax profits for its latest year, due to be released within the next few weeks, would be halved to some 1.6bn yen (\$128m). Analysts had been expecting at worst a flat to slightly lower result, and the announcement - the week before Black Monday - prompted a sharp downward reappraisal of the company's value ahead of the market-wide retreat.

Accumulation of excess stock

The rupture in earnings stems from the urgency with which Mr Yoshiro Fukuhara, newly installed as president of the company founded by his grandfather 115 years ago, is tackling a 7300bn yen accumulation of excess stocks at its domestic sales outlets.

Mr Fukuhara, while reluctant to apportion blame for the piling up of goods equivalent in rough terms to a year's supply,

is reconciled to a further two years in which, as with the period which ended last November, profitability will be constrained by write-offs as it rationalises its main business.

He is also, in Japanese fashion, untroubled by noises of short-term investor anguish. "The main bankers and securities companies related to our company are all supporting our decision," he says. "They are saying that it shows a healthy management attitude."

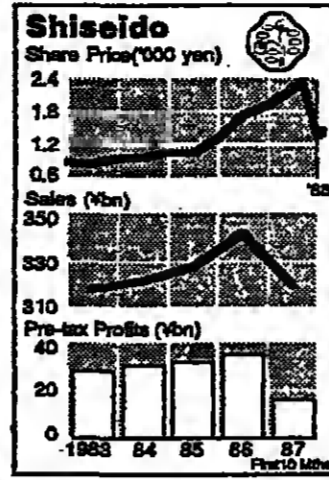
Shiseido accounts for about 30 per cent of all cosmetics sold in Japan, a share twice as large as that held by the second-placed Kanebo. But industry watchers say that new entrants such as the soap maker Kao have made inroads into a market which in any event has slipped to barely 1 to 2 per cent growth over the past three years as the sector, along with its population, matures.

To combat this, the company has been broadening its basic consumer business into toiletries and food, as well as exploring pharmaceutical ventures which would gain from Japan's ageing society. Drawing from its 18th century roots as the first Western-style chemist in Japan, Shiseido says that its involvement in health and beauty has always gone beyond the superficial.

As part of an active research and development programme which will have taken close to 5 per cent of Shiseido's 1987 sales for the year just ended -

and which occupies 500 of its 13,000 staff - it is seeking avenues in pharmacology and genetic engineering which would also bring applications in a new generation of cosmetics.

"Probably if you go to other cosmetics companies you won't find anybody spending nearly as much," says Mr Fukuhara.



At a new ¥10bn plant the group is refining emulsified pharmaceutical products which in their initial stages might appear to have little relevance to Shiseido's core business but where "we already see that the development will help the cosmetics side."

Acids are being cultivated by biotechnological means which act as a binding agent. These can be used for medical purposes, for example in eyedrops or as a salve for skin burns. Equally, they have humectant properties which allow cosmetic facial creams to retain their moisture.

Elsewhere, the company is using its strong domestic image to establish restaurants, boutiques, beauty salons and fitness centres, all under the Shiseido name. Cosmetics still bring in more than 80 per cent of turnover but toiletries have been growing at double-digit rates to account for some 12.5 per cent and other activities contribute the rest.

If the strategy at home is founded on diversification while reactivating cosmetics demand with new products, Shiseido's international approach requires something different. Although its presence abroad covers 7,400 stores in 20 countries, and overseas sales are approaching 10 per cent of the total, the lines to be found there are restricted to the premium end of its product range. At home Shiseido might be Japan's Revlon, but in Europe and North America it can compete fairly credibly with Chanel.

Certainly, it is choosing carefully the company it keeps. Harrods won the rights to its coveted UK launch last year, for which the store gave over

its entire central hall and Shiseido shipped in computerised skin diagnostic equipment to promote Mr Fukuhara's idea of "high technology with a human face." He expects annual British sales of \$5m within five years, by which time the number of outlets will have risen to 200.

In the US, where it has been since 1966, the original mid-market product range was killed off in favour of a more exclusive selection which matched what the company was seeking to do in Europe.

Domestic strategy of diversification

A seven-year-old operation in France has brought useful connections with Paris couture houses - last November it joined Hermes in a venture to sell the French company's perfumes in Japan, aiming for an initial ¥600m sales this year.

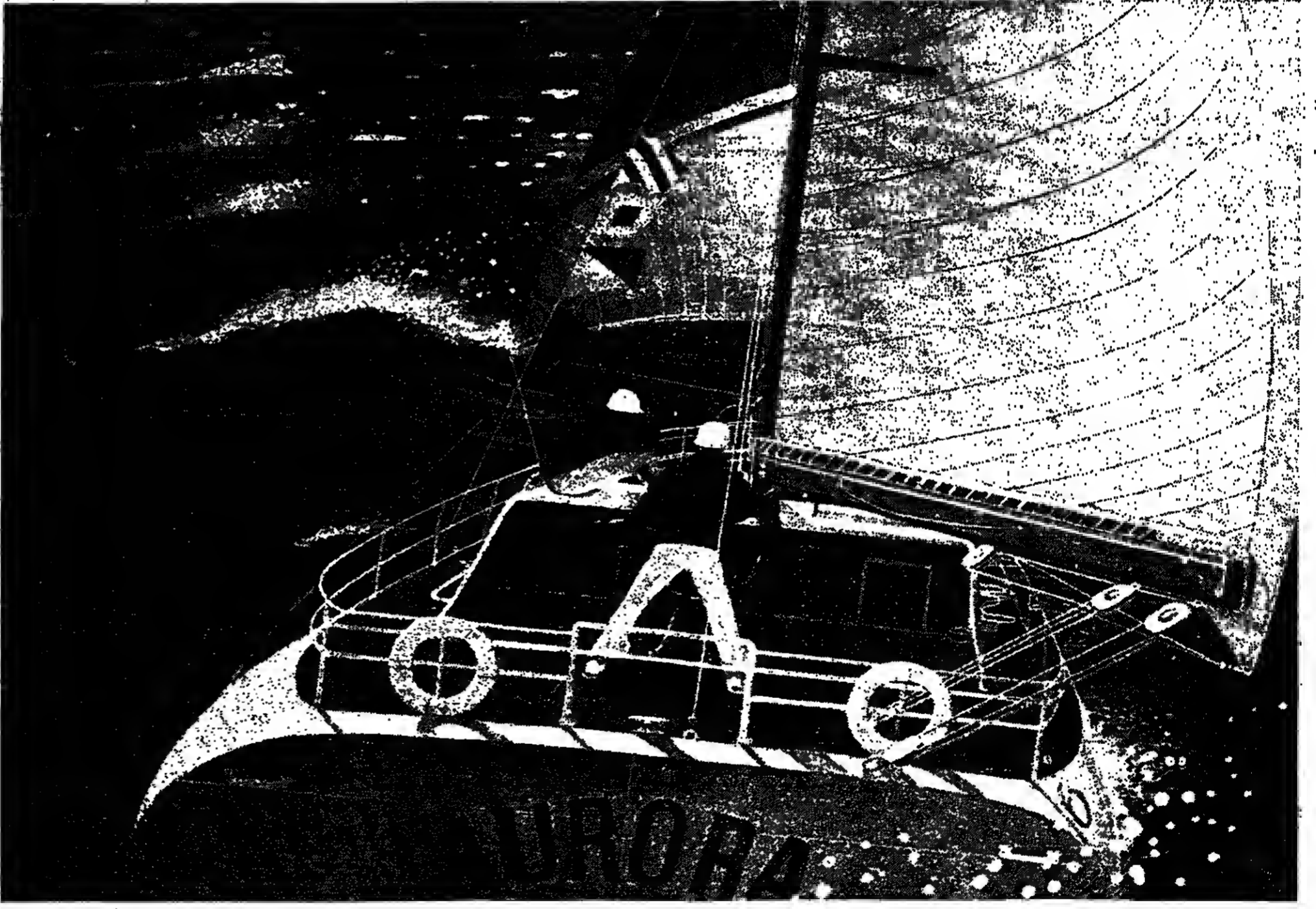
Just over half Shiseido's international products are manufactured abroad, in six countries, helping to shield its overseas ambitions from the appreciating yen. But this promotional push remains not much more than a useful adjunct to a dominant domestic position which it will have to defend with vigour - and with rather more vigilance than its recent inventory build-ups suggest.

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LAND SECURITIES PLC
Notice of Meeting of Holders of £84,000,000 6 3/4 per cent. Convertible Bonds Due 2002

NOTICE IS HEREBY GIVEN that a MEETING of the holders of the £84,000,000 6 3/4 per cent. Convertible Bonds Due 2002 of Land Securities PLC (the "Company") constituted by a trust deed dated 30th July 1987 will be held at Landsec House, 21 New Fetter Lane, London EC4P 4PY on Thursday, 11th February, 1988 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution:

THAT for the purposes of the Trust Deed dated 30th July, 1987 creating the £84,000,000 6 3/4 per cent. Convertible Bonds Due 2002 (the "Bonds") the Company be and is hereby authorised from time to time and at any time during which conversion rights in respect of the Bonds remain outstanding to purchase for cancellation its own Ordinary Shares PROVIDED THAT the maximum price at which any such shares may be purchased is an amount equal to 105 per cent. of the average of the middle market quotations for such shares as derived from The Stock Exchange Daily Official List for the 10 business days immediately preceding the day on which the shares are contracted to be purchased and the minimum price is the par value of such shares from time to time, in both cases exclusive of expenses.

Dated 19th January, 1988. By Order of the Board
L.A. Jones
Secretary

Registered Office:
Landsec House,
21 New Fetter Lane,
London EC4P 4PY

Bonds may be deposited with or to the order of any of the Paying and Conversion Agents, the names and specified offices of which are set out below, for the purpose of obtaining voting certificates or appointing proxies at any time up to 10.30 a.m. on 9th February, 1988 but not thereafter.

The Extraordinary Resolution, if duly passed, will be binding on all the Bondholders whether or not they were present or represented at the Meeting and whether or not they voted in favour.

In order for the Extraordinary Resolution to be passed at the Meeting, a quorum must be present and a majority is required in favour consisting of at least three-fourths of the votes cast at the Meeting in respect of the Extraordinary Resolution.

The quorum for the Meeting is two or more persons present holding Bonds and/or voting certificates and/or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding. If no quorum is present the Meeting is required to be adjourned to a date between 14 and 42 days thereafter.

At an adjourned Meeting, unless new voting certificates or forms of proxy are received, the voting certificates or forms of proxy received for this earlier meeting will remain valid.

Copies of a letter from the Chairman explaining the proposal may be obtained during normal business hours on any weekday (excluding Saturdays) up to and including 11th February, 1988 from the Paying and Conversion Agents, viz:-

PRINCIPAL PAYING AND CONVERSION AGENT
The Chase Manhattan Bank, N.A.
Woodgate House
Coleman Street
London EC2P 2HD

PAYING AND CONVERSION AGENTS
Banque Bruxelles Lambert S.A. - Chase Manhattan Bank Luxembourg
24 Avenue Maréchal - 47 Boulevard Royal
B-1050 Brussels
Chase Manhattan Bank (Switzerland)
63 Rue du Rhône
CH-1204 Geneva

Notice of Interest Determination
Morgan Stanley Group Inc.
Floating Rate Notes
Due 1993

Interest on the above securities for the interest period of January 13, 1988 through July 12, 1988 is scheduled to be paid on July 13, 1988 at the Interest Rate of 7.5575% per annum. The Interest Amount will be \$388.65 per \$10,000 of principal.

The First National Bank of Chicago
January 15, 1988
Reference Agent

INTERNATIONAL CAPITAL MARKETS

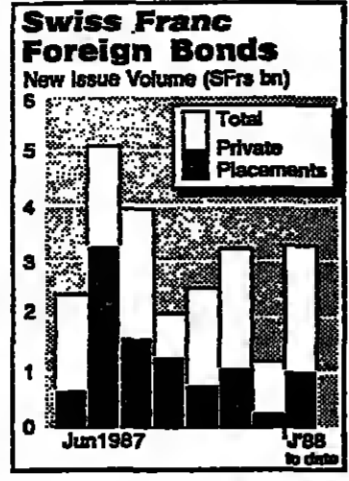
Clare Pearson on changes to Swiss bond syndication rules

Big three loosen their grip

AMID SIGNS of strain in the main issuing syndicate that could ultimately change the face of the foreign bond market...

in any issue they disagreed with. The first time this loophole was taken advantage of was when Swiss Bank Corporation launched a SFr75m deal for Wuerth Finance International...

still in force, so they are dependent on the big three for a flow of paper. When the changes were originally announced, there was widespread speculation that Deutsche Bank (Suisse) would become the first foreign bank to join the syndicate...



Speculation about the workings of the main syndicate has mounted partly because this month has been extremely fertile with new issues, with SFr3.2bn worth emerging so far. The environment has been a weak dollar, stimulating international demand for Swiss francs...

The alterations, basically allowing more flexibility to existing syndicate members and admitting new entrants to the club, could equally as well have tightened its cartel-like grip as shown the seeds of its decline.

ICl's deal seems far more significant, and has been taken by some as a barometer of how competition for mandates between the 'big three' is heating up. In the last resort, none of them is now prevented from launching a deal just because the other two disagree wholeheartedly with the pricing.

However, an unusual number of bonds has been priced in anticipation of further interest rate falls, rather than in relation to the secondary market. Aside from ICI, Sweden and Credit Foncier de France, among others, have launched deals on aggressive terms.

Pricings like this may be a further indication of heightened tension between the big three, even though many of the deals have been private placements where accepting a co-management within the main syndicate is optional.

The picture is still blurred, but the evidence so far - admittedly on the basis of the 10 working days in which the changes have been in force - now seems to weigh in favour of the latter interpretation.

Presumably, only profound disagreement with the pricing of the bond - due in 1999 with a 4 1/2 per cent coupon and 9 3/4 issue price - could have induced UBS and Credit Suisse to put their relationship with ICI at risk by not joining its issue.

ICl is especially the case as ICI is believed by some bankers to have been concentrating recently on building up a small group of relationship banks for its international borrowings.

Figures from the Bank of Japan confirm that foreigners have earned from net sales into net buyers of Japanese securities. After totalling \$13.1bn in October and \$8.8bn in November, net sales of stocks and bonds by foreigners were \$1.1bn in December.

Brokers' role in question

THE PARIS stockbrokers' association called yesterday for more precise rules on multiple capacity for securities firms, AP-DJ reports from Paris.

Latin American fund proposed

REPRESENTATIVES OF five South American governments, meeting in Caracas, have recommended the establishment of a new financial entity - called the Latin American Reserve Fund (Fondo Latino-Americano de Reservas) - designed to assist regional governments in covering their balance of payments deficits.

Officials say that the new entity is not meant to replace the IMF, but to complement its activities in Latin America and the Caribbean. The new fund would be built on the foundation of an existing entity, the Andean Reserve Fund (Fondo Andino de Reservas), which was set up 10 years ago with capital of US\$500m by the

Andean Pact, a regional trade group made up of Bolivia, Colombia, Ecuador, Peru and Venezuela. Once the governments of these five nations approve the establishment of the new fund, its capital would be increased and its activities expanded to cover Latin American and Caribbean nations.

Foreigners rush back into shares in Japan

FOREIGN INVESTORS have rushed back into the Japanese stock market, buying shares worth ¥117.3bn (\$824bn) in the first week of the new year - the second highest weekly total on record.

It was the fourth week in a row in which overseas investors had been net buyers, after heavy sales in October and November following the plunge in world stock markets.

Tokyo stockbrokers said they expected foreigners to continue buying Japanese shares. The new year figures had been boosted by a Japanese Government decision to ease rules on Tokkin funds, important domestic sources of investment funds, they said.

However, US and European institutions, particularly companies committed to worldwide investment, were increasing their investments in Japan, recognising that it now accounted for about 40 per cent of world stock market capitalisation.

Norway springs surprise \$500m Eurodollar issue

BY STEPHEN FELLER, EUROMARKETS CORRESPONDENT

BONDS WITH a combined value of more than \$1.5bn were launched into the international markets yesterday, amid signs of a tentative shift in sentiment among international investors after the US trade figures announced on Friday.

Nobody is convinced that the news of \$19.2bn US trade deficit in November marks the turning point for the US dollar, but the possibility of a steadier US currency appears to have led some cash-laden international investment institutions to the decision that the time had arrived to pick up some longer-term paper.

Prices of DM Eurobonds generally were unchanged to slightly lower than on Friday, although the domestic market declined by 10 to 40 basis points from Friday's fixing. Eurobonds continue to benefit compared with domestic issues because of the proposed introduction of a 10 per cent withholding tax in West Germany.

INTERNATIONAL BONDS

The US Treasury bond market rally on Friday - the 30-year benchmark bond jumped 2 1/2 points for a gain of 4 1/2 per cent - provided yesterday's positive backdrop for the Eurodollar bond market - further reinforced yesterday morning by the Tokyo market's apparent contentment with the new price levels.

Through Banque Paribas Capital Markets which had been waiting in the wings since last year. With a 1986 maturity, a 9 1/4 per cent coupon and a 10 1/4 issue price, the issue was priced to yield 7 1/2 basis points over the relevant US Treasury. The seven-year maturity meant that the bonds met with more resistance than the Norway issues.

Opinions were divided on the issue of whether the rally in US bonds and the prospect of a steadier dollar are good or bad for the other main international bond markets. Despite this uncertainty, two high-rated \$700m issues were launched.

Even more reassuring was the fact that in Friday afternoon's rally, Eurodollar bond prices were matching those in the US Treasury market almost step-for-step, meaning that the usual widening of yield spreads between the two markets did not occur.

The \$600m, five-year issue, lead managed by Merrill Lynch Capital Markets, was priced with a 8 1/4 per cent coupon and a 10 1/4 issue price. This gave a yield over the five-year US Treasury note of 60 basis points, when priced at full fees.

Prices of seasoned bonds closed a touch firmer even though many investors found their attention diverted by the improving market in shares. Among bonds traded for the first time yesterday, a SFr75m 10-year issue, postponed from October last year, was through Nikko Securities and rose to a premium of more than 2 per cent, while that for Showa Electric through Daiwa Europe rose to an even sharper premium of around 10 1/2.

Norway's move came as something of a surprise, since the country had declared its intention not to tap the international bond market this year. The issue was a well-timed piece of opportunism which hit the market's mood and the bonds appeared to move very quickly.

Both deals were thought to be tightly priced, particularly the \$700m issue, which was quoted at a discount of 2 1/2 to its issue price.

FT INTERNATIONAL BOND SERVICE

Table listing international bonds with columns for Bond, Issue, Maturity, Coupon, Yield, and Price. Includes sections for FT International Bond Service, FT International Bond Service, FT International Bond Service, FT International Bond Service, FT International Bond Service, FT International Bond Service, FT International Bond Service, FT International Bond Service, FT International Bond Service, FT International Bond Service.

Advertisement for AT&T featuring a large image of a building and the text 'There's still no place like it. Call home.' Includes AT&T logo and 'The right choice' slogan.

Seven-year credit for Turkey

By Peter Montagnon, World Trade Editor

STANDARD CHARTERED Merchant Bank is syndicating a \$92.2m, seven-year credit for Turkey which comprises a commercial bank loan and a gas project loan.

The loan bears interest at a margin of 1 1/4 per cent over the London interbank offered rate for Eurodollar deposits (Libor). It is part of a package which Standard Chartered is assembling for the project that also includes a separate UK government-backed loan of up to \$99.4m with a 20-year maturity and 1.75 per cent interest rate.

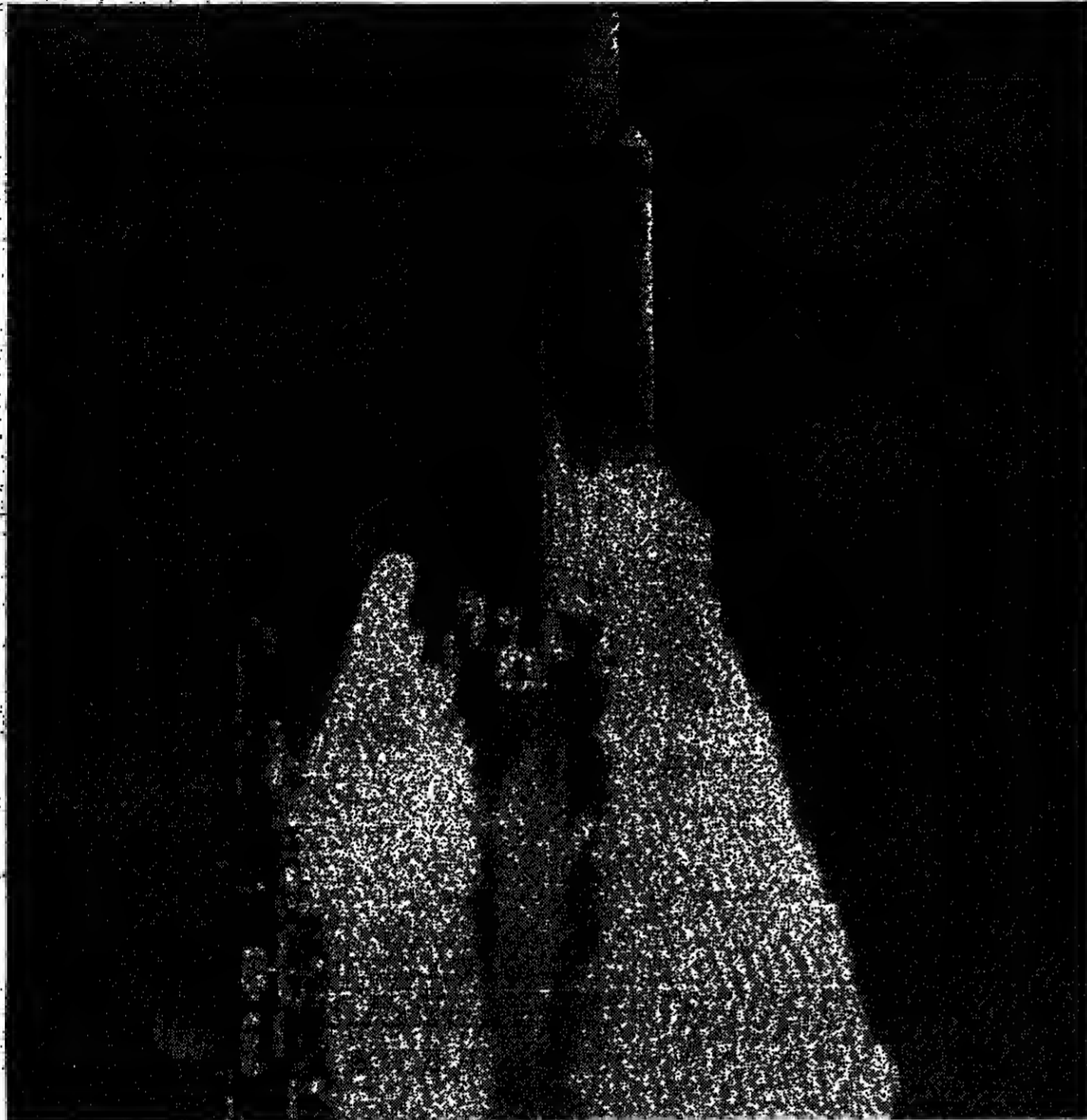
The package is being followed closely in the export finance market because it is the first time the British Government has agreed to provide a soft loan for Turkey. It has allocated up to \$31.5m from its Aid and Trade Provision to subsidise the loan.

AMEC International of the UK won the deal to convert Ankara's gas system to handle Soviet natural gas in the face of tough competition, notably from an Italian consortium led by Italgas. It carries a basic price of \$150.2m but the UK financing package is also intended to cover an expected British Gas consultancy contract.

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A commitment that helped 100 Volvo shares purchased just five years ago for £ 620 to grow in value to £ 2.800 today.

A belief in the future that says purchasing a Volvo share should be an investment in steady, stable growth.

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Volvo's future, as the present and our past, depends upon our sound management commitment, excellent financial strength, top labour relations, and the ability to develop new products and markets.

For Volvo's Offer to Investors, read positive return on investment, good profits, stable production, creative management, quality employees and products, broadening operations within existing business sectors, and a commitment to the future.

CORPORATE FINANCE, AB VOLVO,
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VOLVO

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Awaiting Japanese trade news

THE DOLLAR closed at or near its lowest levels of the day in Europe, on nervousness that Friday's good news on the US trade deficit may be countered by today's Japanese trade figures for December.

tion to the fall of 1.1 p.c. in December. UK retail sales, the figure was a surprise, with forecasters generally expecting a rise of about 0.2 p.c., but seasonal adjustment took out the effect of Christmas demand.

rate index 142.6 against 146.5 six months ago. The D-Mark lost ground to the dollar in quiet Frankfurt trading. The US currency closed at DM1.6845, compared with DM1.6780 on Friday.

FINANCIAL FUTURES

Gilts and bonds improve

GILT PRICES were firmer in life trading yesterday as longer dated cash values were boosted by consistent demand. Sentiment was influenced primarily by a strong improvement in US bond prices.

pushed the price up from an opening level of 90-06, compared with Friday's close of 89-14, to a high of 90-18, where it closed. This was all bullish stuff for the gilt market which was boosted further by the release of UK economic data.

Taken in conjunction with the latest CBI/FT distributive trades survey, some analysts suggested that the pace of retail sales may be moderating. This was seen as the first hurdle, successfully overcome, in a week which sees the release of UK PSBR and bank lending figures.

STERLING INDEX

Table with columns for Month, Last, and Forward. Values include 74.3, 75.4, 75.4, 75.4, 75.4, 75.4, 75.4, 75.4, 75.4, 75.4.

EMU EUROPEAN CURRENCY UNIT RATES

Table showing exchange rates for various European currencies against the EMU unit. Columns include Country, Unit, and Rate.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table showing dollar spot and forward rates against the dollar. Columns include Country, Date, and Rate.

POUND SPOT - FORWARD AGAINST THE POUND

Table showing pound spot and forward rates against the pound. Columns include Country, Date, and Rate.

FINANCIAL FUTURES

Table showing futures prices for various commodities. Columns include Commodity, Price, and Change.

FINANCIAL FUTURES

Table showing futures prices for various commodities. Columns include Commodity, Price, and Change.

OTHER CURRENCIES

Table showing exchange rates for other major currencies. Columns include Country, Rate, and Change.

EXCHANGE CROSS RATES

Table showing cross rates between major currencies. Columns include Currency, Rate, and Change.

FT LONDON INTERBANK FIXING

Table showing interbank fixing rates for various currencies. Columns include Currency, Rate, and Change.

NEW YORK MONEY RATES

Table showing money market rates in New York. Columns include Instrument, Rate, and Change.

LONDON MONEY RATES

Table showing money market rates in London. Columns include Instrument, Rate, and Change.

UK clearing bank base

UK clearing bank base lending rate 8 1/2 per cent from December 4.

Soft tone in London

INTEREST RATES were lower in the London money market yesterday. Three-month interbank fell to 9 3/4 p.c. from 9 1/2 p.c. as retail sales figures for December proved disappointing.

FINANCIAL FUTURES

Table showing futures prices for various commodities. Columns include Commodity, Price, and Change.

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In Good Company advertisement featuring images of keyrings, cuff links, and other promotional gifts.

Mikuni's Credit Ratings advertisement providing financial information services for Japanese corporate issuers.

More About Commodities advertisement discussing price movements and market analysis.

I.G. Index's Prices Appear Today On Page 14 advertisement.

World Value of the Pound advertisement featuring a large table of exchange rates for various countries and currencies.

Trade Indemnity Export Credit Insurance advertisement with a logo and contact information.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Vol, Last, and Stock prices for various European options.

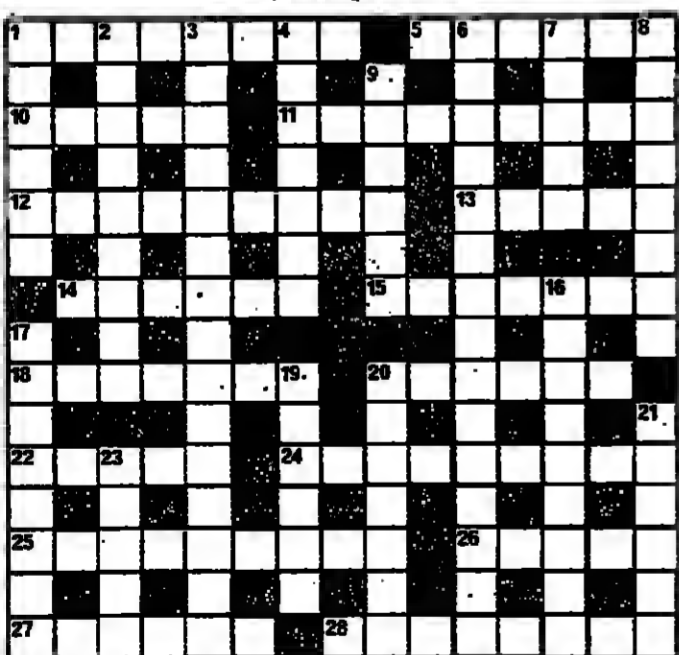
BASE LENDING RATES

Table listing base lending rates for various banks and financial institutions.

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FT CROSSWORD No.6,533



- ACROSS: 1 Set takes in a sort of dancing. Could get stones off (9). 2 US fuel could be handy (9). 3 Outlook for fish? (9). 4 Dents in fuel lid rendered ineffective (9). 5 To make a mistake if in knots, apple (9). 6 Credit notes after the country returns (6). 7 Able to take in stew or soup (6). 8 Eat a deserter coming back with blow of trumpet (7). 9 Bealies win (7). 10 First class with a hint to opt out? (6). 11 Deal with free entertainment (6). 12 Stateman's display preceding top ten? (3-6). 13 Classical example of forecaster unheeded (9). 14 Peg changes hotel (5). 15 Trise writing (5). 16 Tear runs 'one, giving rise to obsession (8). 17 DOWN: 1 Modest, but pursued, we hear (6). 2 Aeroplane developed from catapillar? (5-4). 3 Leap entry-point somehow to become powerful person (16). 4 Man with crumpled list could be in the soup (7).

Solution to Puzzle No. 6,532. LONGSTOP SCORES: I E A B L I C, BLUEBELT COUGAR, R R L K I B C H A, AWAKE QUICKSTEP, N I T U I C, N I G H T L E O N I N G, E X A C T O R I N F O S E, N E O N O G, C O M E R O U N D G U L C H, H A V T E E O, A N N U A L O P E N I N G S, N G L T O C T, T A I O I S M C H E A T E R S.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Large table listing various unit trusts, their managers, and performance data. Includes columns for trust names, managers, and financial metrics.

FT UNIT TRUST INFORMATION SERVICE

Main table containing financial data for various unit trusts, organized into columns with headers like 'Trust Name', 'Investment Focus', and 'Performance Metrics'. Includes a central 'INSURANCES' section.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Financial Assurance Co Ltd: Portfolio of 15 units including International Equity, Property, and various specialty funds.

Prudential Assurance Co: Portfolio of 15 units including Prudential Funds, Life Insurance, and International Equity.

Royal Heritage Life Assurance Ltd: Portfolio of 15 units including Royal Heritage Funds, Life Insurance, and International Equity.

Scottish Equitable Life Assurance: Portfolio of 15 units including Scottish Equitable Funds, Life Insurance, and International Equity.

Svenska Livs Försäkrings AB: Portfolio of 15 units including Svenska Livs Försäkrings AB Funds, Life Insurance, and International Equity.

Swire Life Insurance: Portfolio of 15 units including Swire Life Insurance Funds, Life Insurance, and International Equity.

Swire Life Assurance: Portfolio of 15 units including Swire Life Assurance Funds, Life Insurance, and International Equity.

Swire Life Assurance: Portfolio of 15 units including Swire Life Assurance Funds, Life Insurance, and International Equity.

For a full list of products and services, contact your broker or the FT Unit Trust Information Service.

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, and other financial details.

LONDON SHARE SERVICE

Table of London Share Service, including sections for British Funds, British Funds - Contd, Foreign Bonds & Rails, Americans, Int. Bank and O'Seas Govt Sterling Issues, Commonwealth & African Loans, and Loans.

Table of Money Market Trust Funds and Money Market Bank Accounts, listing various financial products and their details.

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LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American companies with columns for stock price, change, and volume.

BUILDING, TIMBER, ROADS

Table listing companies in the building, timber, and roads sectors.

DRAPERY AND STORES - Contd

Table listing companies in the drapery and stores sectors.

ENGINEERING - Contd

Table listing companies in the engineering sector.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies.

CANADIANS

Table listing Canadian companies.

CONT'D

Continuation of the BUILDING, TIMBER, ROADS table.

ELECTRICALS

Table listing electrical companies.

CONT'D

Continuation of the ENGINEERING table.

CONT'D

Continuation of the INDUSTRIALS (Misc.) table.

CONT'D

Continuation of the INDUSTRIALS (Misc.) table.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies.

CONT'D

Continuation of the DRAPERY AND STORES table.

CONT'D

Continuation of the ENGINEERING table.

CONT'D

Continuation of the INDUSTRIALS (Misc.) table.

CONT'D

Continuation of the INDUSTRIALS (Misc.) table.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies.

DRAPERY AND STORES

Table listing drapery and stores companies.

CONT'D

Continuation of the DRAPERY AND STORES table.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other companies.

CONT'D

Continuation of the INDUSTRIALS (Misc.) table.

CONT'D

Continuation of the INDUSTRIALS (Misc.) table.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies.

CONT'D

Continuation of the BUILDING, TIMBER, ROADS table.

CONT'D

Continuation of the DRAPERY AND STORES table.

HOTELS AND CATERERS

Table listing hotels and caterers companies.

CONT'D

Continuation of the INDUSTRIALS (Misc.) table.

INSURANCES

Table listing insurance companies.

CONT'D

Continuation of the BEERS, WINES & SPIRITS table.

CONT'D

Continuation of the BUILDING, TIMBER, ROADS table.

CONT'D

Continuation of the DRAPERY AND STORES table.

CONT'D

Continuation of the FOOD, GROCERIES, ETC table.

CONT'D

Continuation of the INDUSTRIALS (Misc.) table.

CONT'D

Continuation of the INSURANCES table.

LONDON SHARE SERVICE

INSURANCES - Contd

Table listing insurance companies and their share prices, including Royal Indemnity, Commercial Union Assurance, and others.

MOTORS, AIRCRAFT TRADES

Table listing companies in the motor and aircraft trades, such as British Aerospace, Rolls Royce, and others.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies, including News International, Newsprint, and others.

PAPER, PRINTING, ADVERTISING

Table listing companies in the paper, printing, and advertising sectors, such as Newsprint, Newsprint, and others.

PAPER, PRINTING, ADVERTISING - Contd

Continuation of the Paper, Printing, Advertising section.

PROPERTY

Table listing property-related companies and their share prices.

SHIPPING

Table listing shipping companies and their share prices.

SHOES AND LEATHER

Table listing shoe and leather companies and their share prices.

SOUTH AFRICANS

Table listing South African companies and their share prices.

TEXTILES

Table listing textile companies and their share prices.

TEXTILES - Contd

Continuation of the Textiles section.

TDBACCOS

Table listing tobacco companies and their share prices.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies and their share prices.

FINANCE, LAND, ETC

Table listing finance, land, and other companies and their share prices.

DIL AND GAS

Table listing oil and gas companies and their share prices.

TRUSTS, FINANCE, LAND - Contd

Continuation of the Trusts, Finance, Land section.

FINANCE, LAND, ETC

Continuation of the Finance, Land, Etc section.

DIL AND GAS

Continuation of the Oil and Gas section.

DIL AND GAS

Continuation of the Oil and Gas section.

OIL AND GAS - Contd

Continuation of the Oil and Gas section.

OVERSEAS TRADERS

Table listing overseas trading companies and their share prices.

PLANTATIONS

Table listing plantation companies and their share prices.

MINES

Table listing mining companies and their share prices.

MINES

Continuation of the Mines section.

MINES

Continuation of the Mines section.

MINES

Continuation of the Mines section.

MINES - Contd

Continuation of the Mines section.

THIRD MARKET

Table listing third market companies and their share prices.

NOTES

Notes providing additional information and details regarding the share prices and market data.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks and their share prices.

IRISH

Table listing Irish companies and their share prices.

TRADITIONAL OPTIONS

Table listing traditional options and their share prices.

LONDON STOCK EXCHANGE

Government bonds rise sharply but disappointing session for equity sectors

Account Dealing Dates table with columns for First Dealings, Declaration Dates, Last Dealings, and Account Day.

The UK stock market, in its more considered response to the last week's US trade news, turned in a somewhat disappointing performance yesterday.

hard on the heels of Friday's news on the Retail Price Index, strengthened faith in an encouraging outlook for domestic inflation. The market hopes for a near-balanced UK Budget this year, anticipating a low Public Sector Borrowing requirement in 1988.

Equities started in good form, helped by a gain in the Tokyo market, and the FT-SE 100 Index pushed upwards through the significant 1800 mark at mid-morning.

With the prospect of an imminent move in base rates, discounting after the retail sales and prices indices, short-dated gilts were more relaxed.

Government bonds had another successful session as the UK retail sales numbers, jumped 14 to 321p, after 325p.

The Britoil/BP/Atlantic Richfield saga rolled on with Arco said to have added to its shareholding which was last registered as 23.83 per cent.

FINANCIAL TIMES STOCK INDICES table showing various indices like Government Secs, Fixed Interest, Ordinary, Gold Mines, etc., with columns for Jan 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, and Year Ago.

Opening 1440.2, 10 a.m. 1442.0, 11 a.m. 1445.7, 12 p.m. 1450.1, 1 p.m. 1450.8, 2 p.m. 1449.8, 3 p.m. 1448.1, 4 p.m. 1448.3

Day's High 1451.7, Day's Low 1439.7

Notes: 100 Govt. Secs 15/10/26, Fixed Int. 1/28, Ordinary 1/7/35, Gold Mines 12/9/55, S.E. Activity 1974, 5 - 10/11/22

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

commercial expectations on the research and development work being undertaken by the group are excessive amongst many City commentators. The Becham share price closed a penny off on the day at 468p.

trigger any substantial demand for Commercial Union - where John Spavins Adstean was a stake of around 5 per cent - and CU could manage only a 3 gain at 365p.

Associated-Benriques, a company providing credit finance services and headed by South African businessman Dennis M.Levine, made a quiet debut.

NEW HIGHS AND LOWS FOR 1987/88 table listing various stocks and their high and low prices for the period.

share prices rallied to close with modest gains on the day. Barclays Group, hit by the DTI inquiry in recent days, picked up strongly and closed 10 higher at 225p reflecting a bear squeeze and talk of a switch into the shares from Next; the latter eased 4 to 255p.

Good trading statements brought a ready response to higher to 260p. Investors remained wary of Buzzi and the close was easier at 164p.

Traditional Options table listing various options and their prices.

FT - ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of EQUITY GROUPS & SUB-SECTIONS with columns for Index No., Day's Change, and various sub-sections like CAPITAL GOODS, BUILDING MATERIALS, etc.

FT-SE 100 SHARE INDEX 1798.1

FIXED INTEREST

Table of FIXED INTEREST with columns for Index No., Day's Change, and various interest rates like British Government, Local Govts, etc.

LONDON TRADED OPTIONS

Table of LONDON TRADED OPTIONS with columns for Calls and Puts for various stocks like Allied-Lyons, Biffar, etc.

TRADING VOLUME IN MAJOR STOCKS

Table of TRADING VOLUME IN MAJOR STOCKS listing various stocks and their trading volumes.

RISES AND FALLS YESTERDAY

Table of RISES AND FALLS YESTERDAY listing various stocks and their price changes.

LONDON RECENT ISSUES

Table of LONDON RECENT ISSUES listing various stocks and their recent issues.

FIXED INTEREST STOCKS

Table of FIXED INTEREST STOCKS listing various interest-bearing securities.

† Flat yield. Highs and lows record, base rates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4A 3DF, price 15p, by post 25p.

Handwritten signature or note at the bottom of the page.

WORLD STOCK MARKETS

Table of stock market data for various countries including Australia, Canada, France, Germany, Japan, and the UK. Columns include country, stock name, price, and change.

Table of stock market data for Canada and Montreal. Columns include stock name, price, and change.

Table of stock market data for Japan and Australia. Columns include stock name, price, and change.

Table titled 'OVER-THE-COUNTER' showing Nasdaq national market closing prices for various stocks.

Table titled 'Indices' showing various stock indices for New York, Canada, and other regions, including DOW JONES and NYSE Composite.

Advertisement for HELSINKI & ESPOO, featuring the text 'Have your F.T. hand delivered...' and contact information for financial services.

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock market data with columns for stock symbols, prices, and changes. Includes sub-sections for 'D D D', 'K K K', 'L L L', 'M M M', 'N N N', 'O O O', and 'P P P'.

Marlboro FILTER CIGARETTES 20 CLASS A CIGARETTES

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, P, S, High, Low, Last, Change. Includes sub-sections for 'Continued from Page 42' and 'S S S S'.

Table of AMEX Composite Closing Prices. Columns include Stock, P, S, High, Low, Last, Change. Includes sub-sections for 'Continued from Page 42' and 'S S S S'.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter (Nasdaq) Closing Prices. Columns include Stock, Sales, High, Low, Last, Change. Includes sub-sections for 'Continued from Page 42' and 'S S S S'.

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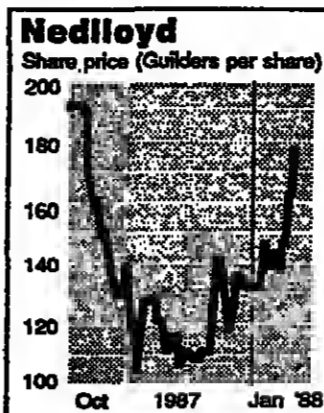
AMERICA

Dow loses momentum to drift lower in thin trade

Wall Street
A LACK of consensus about where equities should move next now that November's US trade figures are out of the way...

Nedlloyd price soars as policy battle intensifies demand

BY LAURA RAUN IN AMSTERDAM



SHARES in Nedlloyd, the Dutch shipping company, soared by Fl 15.50, or 9.5 per cent, to Fl 177.50 yesterday as the policy battle surrounding the financially troubled group fuelled heavy demand...

Frankfurt pulled higher by sharp gains in dollar

EUROPE

CHEERED by Friday's US trade figures and the tonic they gave the dollar, most European markets rose sharply. Gains were restrained in some cases, however, by scepticism over the US currency's ability to sustain short-term gains...

London

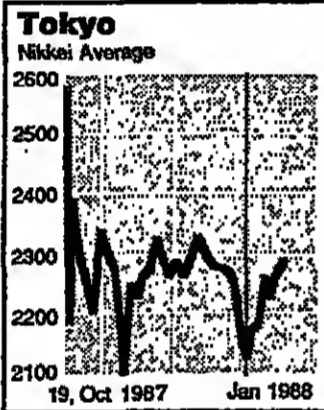
A 1.1 per cent drop in UK retail sales last month disappointed the London equity market, where players were also taking a second, less enthusiastic look at the US trade figures...

ASIA

High-techs lead sizable advance

Tokyo

THE unexpectedly low US trade deficit for November and the dollar's subsequent rise encouraged buying in Tokyo yesterday, giving the Nikkei average a sizable boost...



with President Ronald Reagan in Washington last week. The market was also heartened by the central bank's operation to buy Y200bn worth of three-month bills...

Singapore

INSTITUTIONS and individuals piled into the Singapore market as the US trade figures released pent-up energy, driving the Straits Times Industrial Index up 4.77%, or 6.5 per cent, to 917.59...

SOUTH AFRICA

A STEEP fall in the financial rand to around 31% US cents helped to offset the lower bullion price and buoy shares in Johannesburg...

Australia

INDUSTRIALS led solid gains in Sydney although the reaction to the US November trade deficit was more muted than elsewhere in moderate trading volume...

Hong Kong

THE US trade figures produced a delighted response in Hong Kong, with foreign demand helping to push the Hang Seng index 82.42, or 3.4 per cent, higher to 2,512.18...



Guess whodunnit?

The most arresting news in crime-detection this decade is causing the criminal fraternity to sleep a lot less easily in their beds. The breakthrough? CAP's new software driven approach to encoding fingerprints at the speed of light...

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CAP Group plc, 22 Long Acre, London, WC2E 9LX. Telephone: (01) 379 4711. Facsimile: (01) 240 6773. Telex: 283498 CAPGRP G.

FT - ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for National and Regional Markets, Monday January 28 1988, Friday January 25 1988, and Dollar Index. Rows list various countries and regions with their respective stock indices and percentage changes.

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 123.037 (US \$ index), 90.791 (Pound Sterling) and 94.94 (Local). Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd. 1987